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Intelligence Report

Office of Transnational Issues

Long-Term Scenarios for the Central Asian, Caucasus, and Caspian Region Suggest a Pessimistic Future



A Research Paper

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Long-Term Scenarios for the Central Asian, Caucasus, and Caspian Region Suggest a Pessimistic Future

A Research Paper

This report was prepared by analysts in the Office of Transnational Issues, with contributions from analysts in the Office of Russian and European Analysis. Comments and queries are welcome and may be directed to the Chief, [redacted] OTI, [redacted]

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Long-Term Scenarios for the Central Asian, Caucasus, and Caspian Region Suggest a Pessimistic Future

Key Findings

Information available as of 15 September 1999 was used in this report.

A decade after the dissolution of the former Soviet Union, significant uncertainty over the future of the Caucasus, Central Asian, and Caspian region remains. The Caspian states' anticipated energy wealth and central position straddling Europe, Asia, the Middle East, and South Asia have drawn foreign attention to that area's potential geostrategic importance. In the Caucasus and Central Asia, latent ethnic tensions and economic and political instability have attracted interest from China, Turkey, Russia, Iran, and others, which either fear the spillover of ethnic tensions across their borders or view the region's instability as ripe for remolding:

- Significant foreign meddling paired with domestic instability has the potential to push the region comprising the Caucasus, Central Asia, and the Caspian states toward vastly different extremes during the next 15 years, from significant wealth and stability to virtual anarchy and economic disaster.
- The manner in which the region develops will shape the future threats or opportunities it presents to the United States. This path also will determine the degree of pressure, either positive or negative, the United States will face to become involved in the region economically, politically, and militarily.

To assess the range of potential futures we envision for the region, the Strategic Assessments Group spent a year consulting with over 60 outside experts, analysts, and policymakers to arrive at a set of plausible outcomes for 2015. Our experts first identified key certainties and uncertainties shaping the future and then, through iterative discussions, arrived at what they thought were the three most important drivers in determining the region's future:

- The inclination of neighboring countries—Russia, China, Iran, and Turkey—to assert their foreign policies aggressively and thus to intervene in the region. The degree to which these key countries choose to become involved in internal developments in the region is highly dependent on several variables including their domestic political and economic dynamics and energy needs.
- The effectiveness of the governments in the Caspian, Caucasus, and Central Asian region. Although we are confident that democracy is not likely to flourish there over the next 15 years, our experts believe the degree to

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which each country will develop enduring institutions—autocratic or otherwise—or cohesive national identities is a major unknown.

- World prices for commodity exports. With the region's heavy reliance on primary commodities—including not only oil and gas but also other mineral products and cotton—market vagaries could severely affect a government's growth prospects. ☐

The consensus of our outside experts for the most probable scenario envisions ineffective governance, a high degree of foreign intervention, and high commodity prices—a scenario labeled Cold War–Like Great Game. Such a scenario would result in a region that is at best a center of ongoing, low-level regional conflict and at worst a scene where each great power plays itself off against another, threatening a wider global conflict. Foreign intervention—driven by high global demand for oil—is rife in this scenario as outside players jockey for economic and political control:

- Almost none of the experts could foresee a stable, cooperative, and wealthy region where outside neighbors fostered economic development and political stability and where Caspian governments effectively developed energy resources. In the Cold War–Like Great Game scenario, democracy in most countries is weak or nonexistent and governments have failed to build workable political and economic institutions. ☐

Similar themes tended to emerge in most of our other scenarios. In general, the scenarios posited relatively pessimistic outcomes for the region and for the United States:

- Expectations of higher levels of foreign-government meddling, political instability, and economic backwardness were among the most prominent factors that our experts thought would either boost pressure for US involvement or create havens for narcotics and arms trafficking and terrorism.
- None of the scenarios envisioned strong, stable democracies, and many anticipated serious domestic instability. The factors that worked most strongly against political stability were outside intervention and the absence of economic and political growth and reform.
- Most scenarios anticipated that foreign intervention in the region would be disruptive, either because local governments would invite foreign economic or political support or because foreign neighbors could become embroiled in internecine ethnic or territorial disputes. Neighboring countries in particular—including Russia, China, Iran, and Turkey—would watch the region closely.

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- In only one scenario—A Tightrope Utopia—did Iran gain significant influence in the region and only after an improvement in Iranian-US relations, a development our experts thought was essential for such a scenario to materialize. In most scenarios, Russia meddled in local politics or economic issues but was more of an irritant than a major threat.
- The scenarios suggested that long-term cooperation among states in the region was unlikely, especially given the strategic cultures there and historic animosities among ethnic groups.

The project found that the United States will remain an important player in the region from the perspective of national governments:

- Because of the United States' role as a world leader, governments will continue to seek its support in developing their countries.
- Local elites, however, might misjudge US actions and mislabel them to fit a political agenda.
- US reaction to the policies of Turkey, Iran, and especially Russia and China will be instrumental in determining the region's global significance.
- These countries, especially Russia, would react negatively to increased US influence in the region, even if Caspian and Caucasus governments invited this involvement. Cordial relations between the United States and Russia, China, Turkey, or Iran could mitigate these negative reactions and could lead to less manipulation and less big-power maneuvering in the region.

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Senior Advisory Board

We employed a number of outside experts to provide analysis and guidance for our workshops, seminars, and scenario building (see Appendix B for a complete list). Their expertise helped shape the substance of our findings and the course of our discussions. A group of six outside experts served on a senior advisory board to provide guidance and suggestions on all events and analysis:

- *Enders Wimbush, Assistant Director, Hicks and Associates, SAIC.*
 - *Richard Armitage, President, Armitage and Associates.*
 - *Rozanne Ridgway, Chair, Baltic-American Enterprise Fund.*
 - *Thomas Crumm, Chief, Scenario Development and Application Group, General Motors.*
 - *Fred Starr, Chair, Central Asian Institute, Johns Hopkins University.*
 - *Geoffrey Kemp, Director, Regional Strategic Programs, Nixon Center for Peace and Freedom.*
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Scope Note ☐

As part of the DI's Strategic Perspectives Series, ☐ the Office of Transnational Issues (OTI) and the Office of Russian and European Affairs (OREA) spent approximately one year exploring the strategic significance of the southern tier of the former Soviet Union—the Caspian region—out to 2015. This Intelligence Report is based on the results of that project and two specially convened workshops that brought together intelligence analysts and outside experts from several disciplines to develop future scenarios. ☐

Neither the workshops' deliberations nor this report are intended to predict the future course of events in the Caspian region. Nevertheless, the workshops' perspectives serve as tools to enhance our understanding of the political, military, and economic dynamics at work in the region and to gain insights into the potential policy decisions facing the key regional states and the United States. ☐

The first paper on this topic in the Strategic Perspective Series was OREA

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In FY2000, we intend to publish a paper on gas projections for the Caspian region to 2015. ☐

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Figure 1
Caucasus and Central Asia



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Long-Term Scenarios for the Central Asian, Caucasus, and Caspian Region Suggest a Pessimistic Future

The Instability of the Caspian States and the Caucasus

Ten years after the dissolution of the former Soviet Union, uncertainty over the future of countries in the Caspian, Caucasus, and Central Asian region remains high. Domestic economic and political systems are unstable as government leaders and powerful interest groups fight to carve out a share of their countries' political and economic resources. At the same time, foreign governments—from both littoral and nonlittoral states—are jockeying for political and economic influence, especially in the Caspian nations but also in bordering states where Caspian oil and gas pipelines may eventually run. With a total of up to 200 billion barrels of proved reserves and possible recoverable oil resources, according to industry estimates, the Caspian is one of the few regions in the world that could become a major new player in the global oil market in the coming decade. Caspian gas resources are similarly impressive with proved reserves at about 4.7 trillion cubic meters (tcm), on par with the United States at around 4.7 tcm, Europe at 5.6 tcm, and South and Central America combined at around 6.3 tcm.

Volatile Domestic Conditions

Although economic conditions have improved in the Caucasus over the past couple of years, governments remain weak and the legacy of protracted ethnic conflict continues to stall economic reform. In recent years governments have reduced inflation, exchange rates have stabilized, and growth has been positive, but most governments have only begun to implement the fundamental economic restructuring necessary to sustain longer term growth. The region is heavily dependent on rail links to transport a large share of its goods, but in many areas already-old transport infrastructure has been completely destroyed by warfare. Ethnic conflict and the lack of reform also have scared away foreign investors, and, despite today's relative calm, investors are timid and badly needed domestic and foreign direct investment is limited.

In most of Central Asia including Uzbekistan, Turkmenistan, and Kazakhstan, political conditions have been relatively stable in recent years, a situation some attribute to repressive regimes. Ruling elites have swiftly silenced independent political challengers—particularly in Uzbekistan and Turkmenistan—through propaganda, imprisonment, and exile. With the partial exceptions of Kyrgyzstan and Kazakhstan, civil and political pluralism are extremely weak, governments and societies are highly corrupt, and economic conditions are poor. While Kyrgyzstan and Kazakhstan are relatively more reform minded than other Central Asian states, they all share many traits of the former Soviet era: highly personalized and paternalistic rule; nomenclature networks; and centralized, statist economic systems. According to one of the experts with whom we consulted, the absence of democratic governance is a significant problem that could lead to widespread social unrest or the development of forces inimical to US interests, including Islamic fundamentalism.

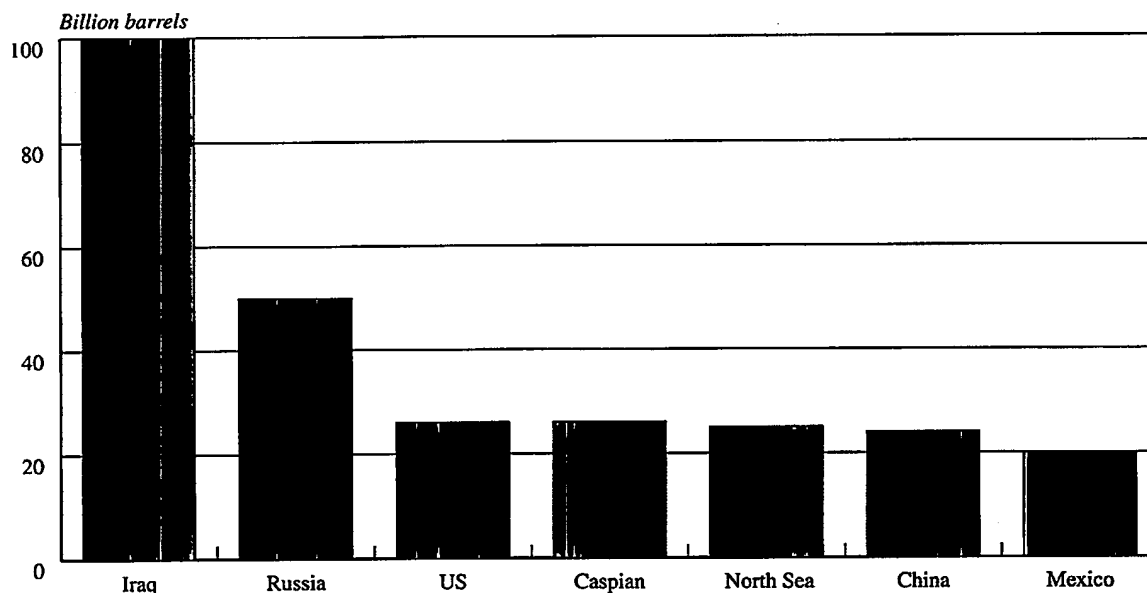
Significant Foreign Meddling

Unstable domestic economic and political conditions make the Caspian, Caucasus, and Central Asian region ripe for foreign meddling—of which there is plenty—further complicating the region's future. Each of the countries that borders the Caspian states, including China, Iran, Turkey, and Russia, is concerned that another will gain primary influence; with the vacuum left by reduced Russian influence and prestige, the other three see opportunities for advancing their own interests. At the same time, some governments in the region are pressuring the West, especially the United States, to ally with them:

- Russia sees the Caspian and Caucasus nations as being within its sphere of influence and is suspicious of other foreign involvement, including that of the

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Figure 2
Caspian Oil Reserves Comparison, 1997



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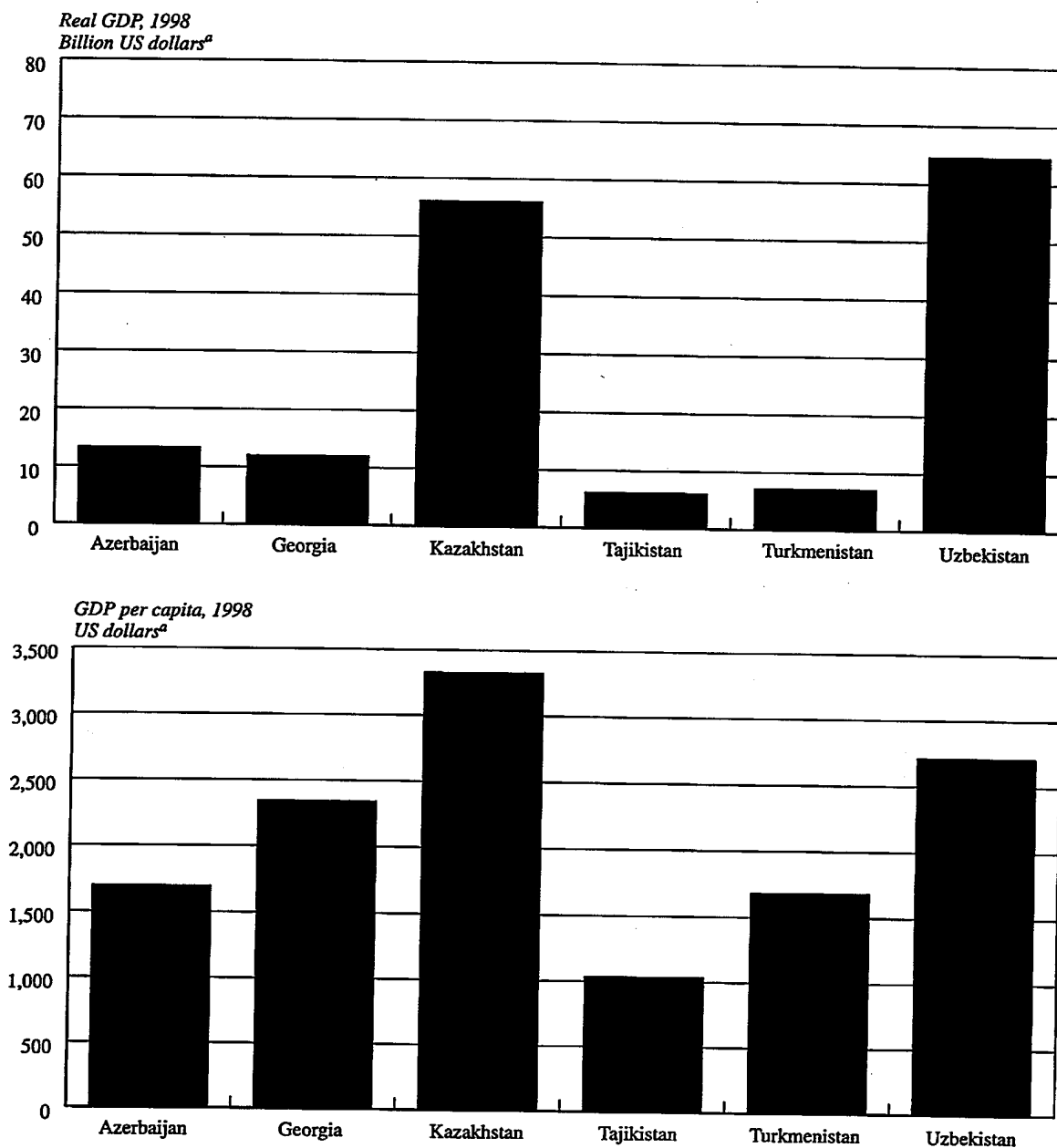
United States. Moscow attempts to maintain a modicum of control over these areas—it has military bases in Georgia and Armenia, and several pipelines for Caspian gas and oil already run through Russia—but currently it has less control than it would like. Several factors limit Moscow's influence including a weak Russian economy, Caspian and Caucasus government resistance to Russian influence, and the involvement of other foreign players.

- Iran seeks a major presence in the Caspian region and sees itself as a natural conduit for the region's oil exports. Up to now, many Caspian and Caucasus states have stayed at arm's length from Iran because of poor relations between Tehran and Washington, which they view as an important and beneficial

player in the region. Because of current US sanctions on Iran, Tehran sees the West as a direct threat and has tried to convince local governments of this. For example,

the Iranians said that the pipeline projects the United States is backing in the region will allow the West to terrorize the entire southern Caucasus. The Iranians warned Georgian officials that all trade, commercial relations, and social and economic assistance from the United States, Western Europe, Turkey, and Azerbaijan would jeopardize Georgia's interests and security.

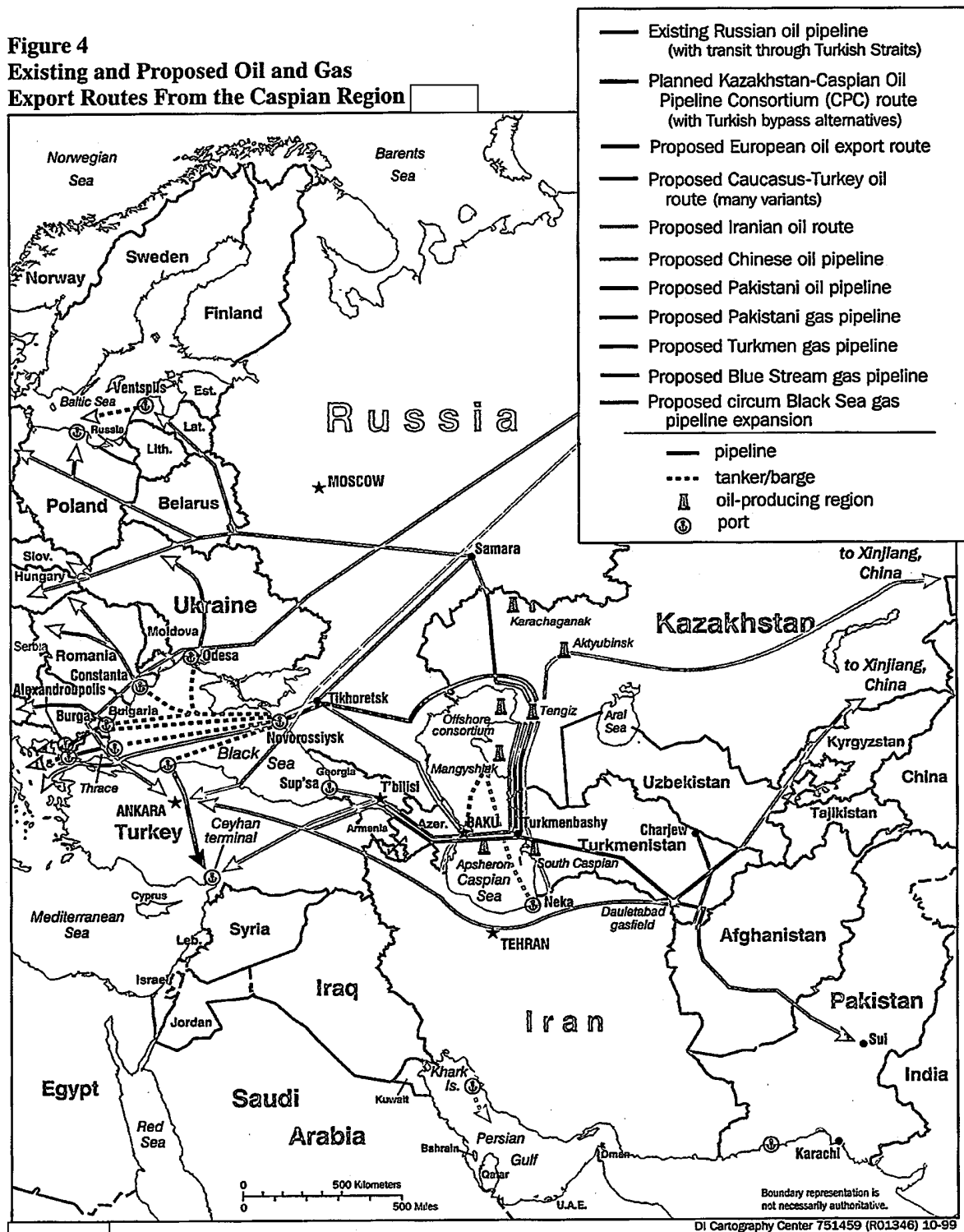
Figure 3
Caspian Republics: Real GDP and GDP Per Capita, 1998



^aConverted from national currency units at purchasing power parity rates.

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Figure 4
Existing and Proposed Oil and Gas
Export Routes From the Caspian Region



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Table 1
Uncertainties and Certainties Regarding the Region's Future^a

Relative Certainties	Essential Uncertainties	Other Uncertainties
The region will remain highly susceptible to foreign influence especially from Russia, China, Iran, and Turkey—which view this region as their geopolitical backyard—and from nonlittoral states interested in developing oil resources.	How aggressively will Russia, China, Iran, and Turkey assert their foreign policies? It is clear that these states will have influence in the region, but the extent to which that influence is benign or malign is difficult to determine with any precision.	Will US-Iranian relations be cordial or not? A US rapprochement with Iran would normalize relationships in the region that have developed abnormally because of US efforts to isolate Iran.
China probably will play a larger role, at least in Kazakhstan. Beijing has already attempted to fill some of the vacuum left by Moscow in Kazakhstan by helping to train border guards, police troops, and municipal employees. It also has offered infrastructure investments and help with a national census project. Beijing's interest in the Caspian region will probably be strong because of the availability of oil supplies to feed China's growing economy.	Will the governments in the region be effective, at least in terms of maintaining domestic stability? Our experts could not determine the intention of the local governments to pursue economic reform, the degree to which the local governments will control criminal activity and unlawful cross-border trade, the intention of the highest leaders in the countries to eschew corruption, or the ability of each of the local states to coalesce into strong national cultures.	Will countries in the region develop enduring coalitions with each other? Regional cooperation is a key factor that could enable these countries to fend off foreign interference, according to our experts.
Russia will remain influential. Russia has been a major influence in the region for hundreds of years and is likely to remain so in the southern tier of the former Soviet Union, especially in the Caucasus.	Will prices for commodity exports be high or low? Caspian, Caucasus, and Central Asian countries are heavily dependent on primary commodities, including oil, as a source of export revenue. The level of global commodity prices will be an important determinant of countries' ability to generate economic development and will effect the willingness of outside players to intervene in the region.	

^a In examining potential futures for the Caspian, Caucasus, and Central Asian region, we worked with our outside experts to draw up a list of factors that we considered relatively certain to characterize the region's future and a set of factors that would be key uncertainties or wild cards.

- China's demand for oil probably will be growing faster than that of any other country in the next two decades because of its rapid industrialization, and China sees the Caspian region as a potential source of supply. As such, Beijing is seeking to provide an alternative route for the region's exports. Beijing also increasingly is a key provider of consumer goods to the Central Asian states. Chinese relations with Iran—which, like China, opposes Western hegemony and has reason to fear Russian influence—are growing. Under Russia's current weakened conditions, our experts did not think that it could fend off the growth of Chinese influence, although this could change if Russia's economy recovers.
- Turkey is pressing for the construction of a pipeline that would carry Azerbaijani oil from Baku through Georgia and then across Turkey to the Mediterranean via Ceyhan. Turkey favors this route in order to reduce the potential number of Black Sea tankers in the already-crowded Bosphorus. Azerbaijan has no direct access to a maritime export route, so before its crude reaches a tanker, it must cross at least one international border, possibly two. For the Baku-Ceyhan pipeline to work, Turkey will have to have good relations with Georgia, which has been highly unstable since the dissolution of the former Soviet Union.

Ethnic and religious issues are a source of potential foreign interference and conflict. China—whose western province of Xinjiang is inhabited by some Kazakh and Kyrgyz Muslims—has increased diplomatic ties in the region that could cause future tensions with Russia, which sees Kazakhstan and Kyrgyzstan as being within its sphere of influence. Turkey has close cultural ties to Central Asia—all of the Central Asian languages except Tajik are of Turkish origin, for example—and also has stepped up diplomatic activity in the region. Turkish links to Azerbaijan in particular could generate future friction with Iran, which is nervous about its own Azeri minority. Saudi Arabia is the strongest backer of an Islamic cultural and political resurgence in the region and provides large sums of money covertly to Islamic community leaders throughout the region.

Anticipating Potential Futures: Eight Possible Scenarios

The manner in which foreign involvement and domestic political and economic dynamics interact to shape developments in the Caucasus, Central Asian, and Caspian region during the next 15 years will be a crucial determinant of the challenges and risks the region will present to the United States. Anticipating the region's future is challenging, however, because we can only envision a few factors that are relatively certain to characterize it. In addition, because few countries have had to restructure domestic political and economic structures simultaneously, and even fewer have had to do it with significant interference by outside powers, we have limited past experiences to draw on.

To gain an understanding of these uncertainties, we held a series of focused workshops, seminars, and research projects over the past year in which more than 60 outside experts, analysts, and policymakers from throughout the US Government provided input to help flesh out potential scenarios that might describe the region's future. We did not plan for any of the exercises to predict the exact course of future events in the region—indeed, specific future developments remain a subject of dispute among some analysts and experts—but to enhance our understanding of the types of governments and societies that could develop in the Caspian and Caucasus areas by 2015 and to examine the potential effects of external actors and oil wealth. The following analytic approach guided this process:

- We designed the workshops, seminars, and research projects as cumulative endeavors, forming the substance of each one according to the findings of the previous events.
- Our experts, including DI analysts, drew up a list of factors they thought would be crucial in determining the region's future. From this list, they chose what they considered to be the three most important determinants: the level of commodity prices, the degree

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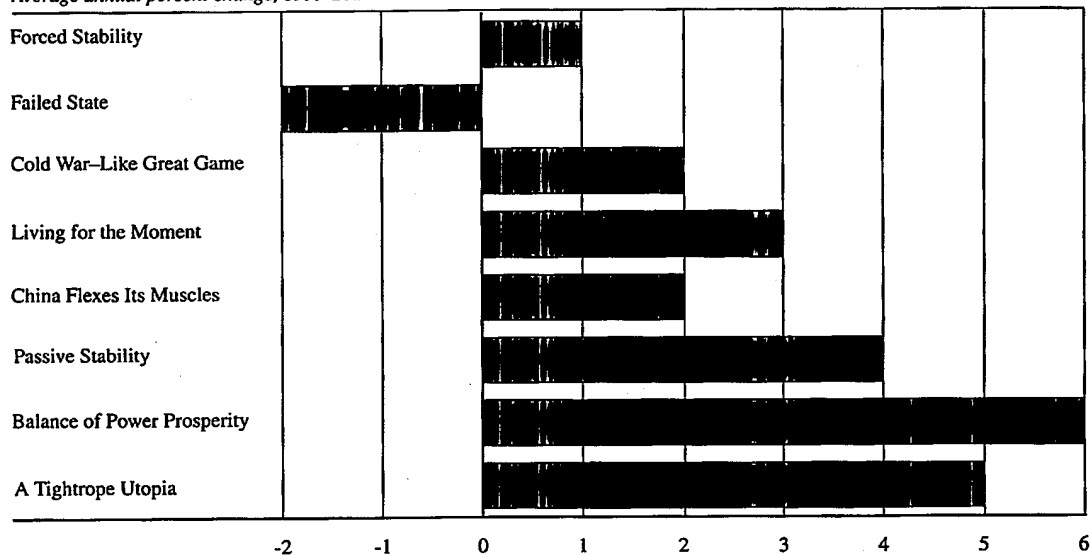
Table 2
Scenario Snapshot

		Good for US Interests	Bad/Neutral for US Interests	Good for Region	Bad/Neutral for Region
A Tightrope Utopia	This scenario calls for stability with little outside intervention. Neighboring governments and the West are not at odds politically, and the United States has lifted sanctions on Iran and Iraq. Iran is a major transit route for Caspian energy and has stronger influence in the region.		X	X	
Passive Stability	Largely autocratic governments impose stability. Commodity prices are low, and governments diversify their economies. Outside powers are concerned that too much involvement in the region would mire them in alliances with autocrats who are, or cater to, crime lords.		X		X
Living for the Moment	This is a messy but functional world. Foreign economic interests are strong enough to allow ineffective governments to muddle along and become modestly integrated into the international economy. Societies have many safety valves for the poor, which increases stability in the short term. Government management is generally poor, however, and stability is tenuous over the long term.	X			X
Failed State	The region under this scenario is similar to contemporary Afghanistan. There is a great deal of criminal activity, and the region is a terrorist haven and a conduit route for the proliferation of weapons of mass destruction. The United States faces significant pressure to become a regional policeman to reduce the threat such nonstate activities pose to US security interests in the region.		X		X
Balance of Power Prosperity	There is intense competition among outside powers for influence in the region, with China, Russia, and the United States playing the major roles. The Caspian region, with its economic potential and stable governments, is considered a prize by outside players and develops into another Silk Road and crossroads for East and West.		X	X	
China Flexes Its Muscles	Geopolitical factors drive outside intervention. This region takes on the appearance of one vital to US interests because of intervention of other powers. Chinese aggression in this and other regions of the world is high, increasing the threat to US security interests.		X	X	
Cold War-Like Great Game	A competition develops among regional energy consumers Turkey, Iran, China, and India. Russia meddles in the region's economic and political affairs.		X		X
Forced Stability	Regional instability invites international focus on the region. An outside power attempts to impose stability or assume preeminent influence. International oil companies leave the region because of a combination of low energy prices and a collapse of internal infrastructure and social cohesion.		X		X

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Figure 5
Real GDP Growth

Average annual percent change, 1999-2015



^aThese approximations are based on CIA's growth model.

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of foreign intervention, and the effectiveness of regional governments.

- We varied each of these drivers in turn from high to low to create eight different permutations.
- Our experts turned these permutations into full-fledged scenarios by describing the logical political and economic developments that would occur in each state under each scenario.

Scenarios Lean Toward Pessimistic Future

Although our experts derived eight vastly different scenarios, there were some general trends that characterized many of them, including the two scenarios that our experts thought were most likely—Cold War-Like Great Game and Forced Stability. These general trends portray a region that is relatively unstable and that has the potential to cause major headaches for US policymakers.

None of the scenarios envisioned strong, stable democracies in all countries, and few expected significant political stability. The majority of the scenarios—including Cold War-Like Great Game and Forced Stability—suggest that the future for the Caspian and Caucasus states looks quite bleak, with economic stagnation, political instability, and foreign interference more likely than not:

- In both Cold War-Like Great Game and Forced Stability, governments were largely autocratic, economic conditions were poor, corruption was rampant, and, in the latter scenario, the regions became bastions of terrorism, gun running, smuggling, and drug dealing. Our experts thought that in Forced Stability terrorists might use the region as a locale to develop nonconventional weapons.

- Even in the scenarios that posited effective governance, such as A Tightrope Utopia and Balance of Power Prosperity, governments had major weaknesses. In the former, many governments were relatively successful at implementing market reforms but made only limited progress creating more democratic regimes. In the latter scenario, border disputes and nationalism tarnished an otherwise optimistic outlook.

Most scenarios did not envision beneficial conditions for the United States. We assumed certain conditions would benefit US interests including large-scale successful development of Caspian energy resources, increased globalization, and government competency. US interests would be disadvantaged by increased external meddling that would weaken indigenous regimes and raise the possibility of more active US engagement:

- In two scenarios, A Tightrope Utopia and China Flexes Its Muscles, US interests were threatened the most. In each scenario, the influence of China and Iran increased significantly to the extent that each of these countries became the predominant player in the region. In the scenario in which China gained the most influence, US interests were threatened because Beijing's presence sparked intense rivalry among foreign powers seeking to limit, or reduce, Chinese influence. In the scenario in which Iran gained predominance, Tehran became the major conduit for Caspian oil. Although Iran was able to do this as a result of the lifting of US sanctions, the result was a double-edged sword for the United States as Tehran's influence over global oil markets and China—a primary consumer of oil—increased significantly.
- In Cold War–Like Great Game, US interests were not disturbed as much as in other scenarios, but the region did become a magnet for non-US foreign intervention on a relatively large scale. Russia's proclivity to dominate the region grew, pulling in other powers including Turkey, Iran, and perhaps the United States. In Forced Stability, the region became a source for the proliferation of arms and drugs while ethnic conflicts increased tensions among regional governments.

The Most Probable Scenario: Bad for the Region and the United States

The experts saw as the most likely scenario the one we named Cold War–Like Great Game in which local governments pair up with outside powers—the United States, Turkey, Russia, Iran, and China—in client/patron relationships. In this scenario, local governments or an ally such as Turkey seek US diplomatic and eventually military assistance to ensure stability of a local leader. This scenario underscores several prevailing themes:

- *The lack of democracy in the region, continued corruption, and growing inequalities result in instability and ethnic conflicts.*
 - *Because most regional leaders will have failed to build institutions needed in a time of crisis, local governments are forced to invite outside powers to help stabilize their own regimes.*
 - *To head off any one state from having preeminent influence in the region, outside powers compete to keep others out of the region and to maintain access to energy sources. Regional governments call on the United States to play a stabilizing role*
 - *Any movement by the United States or its allies to stabilize the region is seen by neighboring big powers—especially Russia—as detrimental to their national interests.*
 - *Energy resources are the catalyst for unrest in this scenario. Demand for oil worldwide is unusually high, and the Persian Gulf cannot meet all new demands for oil—the Caspian region becomes precious, and there is competition among neighboring states for influence there.*
-
- In what we and our experts agreed was one of the worst scenarios for both the region and the United States—Failed State—governments were sorely ineffective, economic conditions were poor, and foreign intervention was limited. A sluggish world economy in which the supply of oil greatly exceeds demand significantly reduced foreign interest in the region.

Foreign interference will generate conflict. Virtually all of the scenarios involved some degree of intervention by outside powers—especially China, Iran, and Russia—although only China was deemed strong enough to have a chance of becoming a sole, dominant hegemonic power. A major change from previous periods in history, according to our project participants, would be the effective use of “soft power”—investment and security guarantees instead of military might—to gain influence in the region. Our experts believe that there is currently little likelihood that any of the outside powers will resort to a military campaign to gain initial control over the Caspian region:

- In China Flexes Its Muscles, China was able and willing to gain a foothold in the region because oil prices were low—which reduced other countries’ interest—and because it was seeking to gain a captive source of cheap oil to fuel its rapid economic growth. China’s involvement grew at a measured

pace and did not illicit strong reactions from other foreign powers until its position was relatively secure. Once this occurred, Russia and other countries began to intervene. Under some specific circumstances that would include increased Sino-US tensions in the East, our experts thought it possible that China could drag the United States into a tit-for-tat, Cold War-style game in the region. Even if China did not achieve the predominance outlined in China Flexes Its Muscles, our experts thought that its influence in the region would increase, in part because of China’s probable increased demand for Caspian oil.

- If the United States retains its image as a world leader, our experts thought countries in the region would seek US support in developing their countries and helping to ensure their sovereignty under our two most probable scenarios. They also would probably misjudge US intentions and mislabel US

actions to fit their mindset. The experts thought it was possible that the US lead in the NATO actions to halt Serbian hegemony against Kosovar Albanians would reinforce this mindset, at least in the near term.

- In Cold War-Like Great Game in which domestic unrest was high and government effectiveness weak, our experts thought local leaders would invite outside powers to help manage instability. Governments in the region would expect the United States, in particular, to play a stabilizing role. Any movement by the United States or its allies, however, to boost influence in the region would be seen by neighboring big powers, especially Russia, as a challenge to its national interests. ☐

Iran gained noteworthy influence in the region in only one scenario—A Tightrope Utopia—which assumed that US relations with Iran had improved. Our experts did not think that Iran would be able to

gain significant leverage in the region without normalizing its relationship with the United States. This is attributable in part to the fact that our experts thought local governments would continue to look to the United States as the most promising partner in the region and would shy away from establishing close relations with Iran unless US-Iranian relations were cordial. ☐

None of the scenarios posited a benign Russia, although in most cases Moscow served as merely an irritant rather than a major threat. In a best case scenario, Russia only interfered in the Caucasus and Kazakhstan, and local governments were strong enough to overcome Russian interference. It also did not challenge these states militarily but used covert means to destabilize local governments or foment ethnic unrest. Other neighboring countries and the United

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States played positive roles by helping with assistance, encouraging international investment, and underscoring local governments' sovereignty:

- Given Moscow's weakened condition and the improbability that it will completely rebound economically over the next several years, our experts thought Russia would play the role of spoiler and continue to attempt to manipulate political events from behind the scenes, especially in Georgia and Azerbaijan. The experts believed that Moscow would not willingly give up its military presence in the region and that the extent to which it modernized its military equipment would be an indicator of how important Russia believes the region is to its strategic security. ☐

No scenarios saw Central Asia and the Caucasus demonstrate enough regional cooperation to lead our experts to believe that these areas could develop independently of foreign interference. Our experts thought that a major wild card—local governments developing working alliances with each other—could improve prospects for the region. Such alliances would counter attempts by neighboring countries, especially Russia, to sow instability and unrest. Cooperation, however, was unlikely, according to our experts, and occurred weakly in only one scenario:

- In our scenario A Tightrope Utopia, intraregional cooperation was greater than it is now, in part because there was limited external involvement in the region and governments were managing their economies and political systems relatively well. Even in this situation, however, the countries had no sense of a cohesive regional security alliance. Our experts thought that, while this scenario illustrated one of the less likely outcomes for the region, the effect such an outcome would have on regional cooperation was quite realistic. Although countries in the Caspian area share a historic sense of vulnera-

bility to outside encroachment that may embolden them to forge alliances, past attempts at such alliances—such as Centrasbat (a regional military grouping)—and improved trade ties largely have been ineffectual, in part because the sense of vulnerability in these countries extends to suspicions of each other.

- In Cold War–Like Great Game, governments in the Caucasus and Central Asia were weak and autocratic, encouraging foreign governments to meddle in the region's affairs to sow discord among individual countries. In Forced Stability, lawlessness, corruption, and economic regression were rampant in individual states, precluding efforts by governments to seek regional cooperation. Instability, ethnic conflict, and ineffective governments also led to increased ethnic conflicts that fueled regional tensions. ☐

Implications for US Policy ☐

The two scenarios that our experts deemed to be most probable—as well as several others—suggest that there will be significant pressure for the United States to intervene either politically or militarily in the Caspian, Caucasus, and Central Asian region in the future. In both of our most probable scenarios, this outcome resulted from poor local governance, which encouraged meddling by other foreign actors, especially Russia, Turkey, Iran, and China. Although the United States could choose not to become involved in such squabbles, our experts thought this would be difficult as long as Iran, China, and perhaps Russia—all of which have the potential to challenge key US strategic interests—are involved in the region. ☐

The United States would benefit most from countries that are well governed, but most of our experts

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determined that this was unlikely. Good governance would reduce the extent of outside interference in the region's affairs while promoting economic stability and growth and reducing the proliferation of nonstate actors. Unstable regions typified by weak, ineffective governments, meanwhile, would work against US business and strategic interests. With corruption and lawlessness the norm, US businessmen would find it difficult to conduct business and could choose to develop energy interests in other areas, especially if, 15 years out, sanctions have been lifted on Iran or Iraq. This will leave the development of Caspian oil-fields open to other countries.

A highly interventionist and aggressive Russia or China—neither of which is highly likely—probably would signal the presence of a Russia or China increasing tensions with the United States in other spheres or regions. If China were to build a hegemonic

sphere of influence in the region, for example, it probably would not challenge US interests directly but might signal a tendency for Beijing to be less willing to cooperate on diplomatic or economic issues.

The pressure from local governments to induce the United States and the West to ally with the region runs counter to the goals of neighboring states. The policy actions of Turkey, Iran, China, and Russia in the region—and the US reactions to them—will determine the region's global significance. Cooperation and a degree of trust among these bigger powers may lead to less manipulation of the local governments. Conversely, foreign manipulation may increase in the Caspian as distrust and tension grow between the United States and these players, especially Russia and China.

Appendix A

Developing the Axes for the Scenarios

The participants in the future scenarios workshop identified three factors that took on overwhelming importance in determining the future of the Caspian, Caucasus, and Central Asian region:

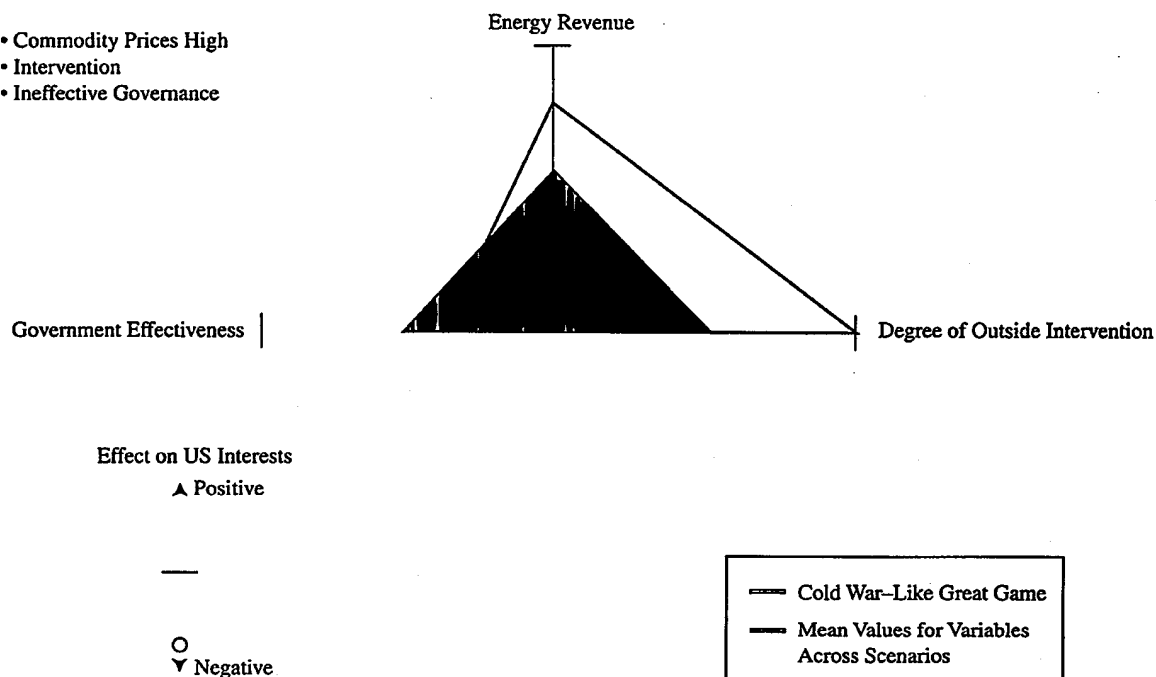
- *Commodity prices:* The values for this axis range from the extremes of a rapidly growing and integrating global economy with high commodity prices to a sluggish global economy with weak commodity prices.
- *Role of outside powers:* At one extreme along this axis is a heavy inclination by outside powers to become the dominant influence in the region or by the state, in at least one case, to act almost as a puppet for an outside power's policy interests. The other extreme value is that there is little outside interest in the area, including a lack of assistance programs and very little trade.
- *Effectiveness of governments:* Extreme values range from governments that successfully transition to market economies and representational rule to those that are weakened by corruption, autocratic rule, and lack of institution building.

We have arranged the eight scenarios from the most likely—Cold War—Like Great Game—to the scenario we believe is the least likely—Failed State. Rankings are subjective and based on iterative discussions with our experts.

In the graphics preceding each scenario, we have attempted to roughly measure the effect that variations of our three drivers would have on US interests. To do this, we have assumed subjective values for each of the key drivers on the basis of information contained in each scenario. US interests are assumed to benefit from large-scale successful development of the region's energy resources; increased globalization, which expands markets for US goods; and government competency, which increases the well-being of the region's people. US interests are disadvantaged by increased external meddling, which weakens indigenous regimes and raises the possibility of more active US engagement.

Figure 8
Cold War-Like Great Game Scenario

- Commodity Prices High
- Intervention
- Ineffective Governance



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Commodity Prices

The Persian Gulf cannot meet increasing global demand for energy because sanctions remain on Iran and Iraq. As a result, oil and gas in the Caspian region is very precious. None of the Caspian countries reduces its dependence on revenue from the export of oil or other primary commodities, such as agricultural goods, and government revenues for nonoil producers fluctuate quite significantly as a result of weather conditions and variations in global demand. Concerns about stability within the region in addition to external interference lead local governments to funnel large chunks of their oil revenues into military spending.

Intervention

Outside powers do not work well together. They vie for influence in the region and are mistrustful of each other's actions in the Caspian area and worldwide. Because local governments are ineffective, each of the countries pairs with an outside power. The alliances they form are more like those of colonial powers or of the puppet states that were seen during the Cold War:

- Kazakhstan is torn between a China that is in the ascendancy and a Russia that is a second-rate power but because of demographics has great influence in its country.

- For a host of reasons, including countering the growing Chinese influence in Kazakhstan, the United States pairs with Uzbekistan.
- First Turkey, then the United States and Israel, will be the influential players in Azerbaijan.
- The United States and the EU will be the most influential players in Georgia, where Russia attempts to destabilize local ethnic groups in order to scare the West into decamping and leaving the region to Russia. ☐

In general, Russia continues to be obstreperous. It modernizes and resupplies military bases and personnel. Russian action around the globe causes concern among local governments and their neighbors. For example, it is instigating tensions in the Turkish Straits, fomenting unrest in the Baltic states, or continuing its anti-NATO policies in the Balkans. ☐

In reaction to any Russian moves to undermine the region's sovereignty, Turkey reacts by doing all in its power, up to direct military intervention, to ensure the sovereignty of the local governments: placing military advisers in a country; making diplomatic approaches to Russia, the UN, or the West; and attempting to bring the West in as an ally against Russia. Turkey also attempts to get an agreement from the United States to share US intelligence on Russian regional activities with local leaders. ☐

Chinese involvement in the region is largely confined to Central Asia and possibly just Kazakhstan and Kyrgyzstan. It is possible that, if a more nationalist Turkey attempts to destabilize the Uighurs in Xinjiang, then China would become more involved in the Caucasus in order to counter Turkey. For the United States to get involved in countering Chinese moves in the region, China would have to be less benign globally. For example, a flareup over Taiwan between China and the United States results in a reaction between the two in Central Asia, where the situation is imminently less volatile. ☐

If Iran is a player in this scenario, it is because its relationship with the United States has become more normalized. A normalized Iranian-US relationship allows

for closer economic relations between Iran and Central Asia. This also results in the redevelopment of the historically more competitive ties between Iran and Russia and a diminished relationship between the two. ☐

India has a growing role in the region under this scenario but is still a second-tier power compared to the other players there. Fifteen years out, there is an opening of transport routes with Pakistan and increased soft diplomacy between the two. India looks to play a growing role in the region to counter China's role there and to gain access to the region's energy. ☐

The EU develops the Eurasian corridor, which underscores Georgia's significance. Israel also becomes an important player by helping to ensure regional sovereignty. The United States is most likely to be partnered with Georgia, Uzbekistan, or Azerbaijan. ☐

Governance

Local governments have divergent economic concerns. The limited gains Kazakhstan and Azerbaijan made in the late 1990s gradually deteriorate, as private investors find local conditions and government policies too volatile to make long-term investment commitments there. Most of Kazakhstan's energy goes toward Asian markets either through an eastern pipeline or through Iran, with some going to the west. This heavy export toward China makes the West and Turkey determined to ensure that some oil flows west via Azerbaijan and Georgia, thus raising the strategic salience of both countries. Uzbekistan develops a market economy using its skilled labor supply to build factories such as auto plants. Europe pushes forward with a Eurasian economic corridor. ☐

The governments are largely autocratic and corrupt, and many factions exist within each state. There is no regional cooperation, which increases the ability of neighboring states to manipulate the local powers. Breakdown of order is in progress and is systemic in most of the countries in the region. Political and social institutions continue to disintegrate. Oil money goes

Geneva Game '99:

Geneva Game '99, part of the US Naval War College International Game Series, was conducted in March 1999 at the Geneva Center for Security Policy. Fifty midlevel military officers, diplomats, and civil servants from 25 NATO/Partnership for Peace (PFP) countries and Bosnia and Herzegovina participated in this political-military simulation in which a large humanitarian disaster in Georgia was combined with a need to protect the delivery of humanitarian aid in a period of government succession and political instability. The players represented policymakers from their own countries in the year 2009. They were asked to develop national positions in response to a series of events occurring in the Caucasus region and to represent those positions in one of six international cells to which they were assigned.

directly into the pockets of government leaders and local oil executives. The governments are unable to control security of their exports. There is sporadic disruption of energy exports that require external help to overcome.

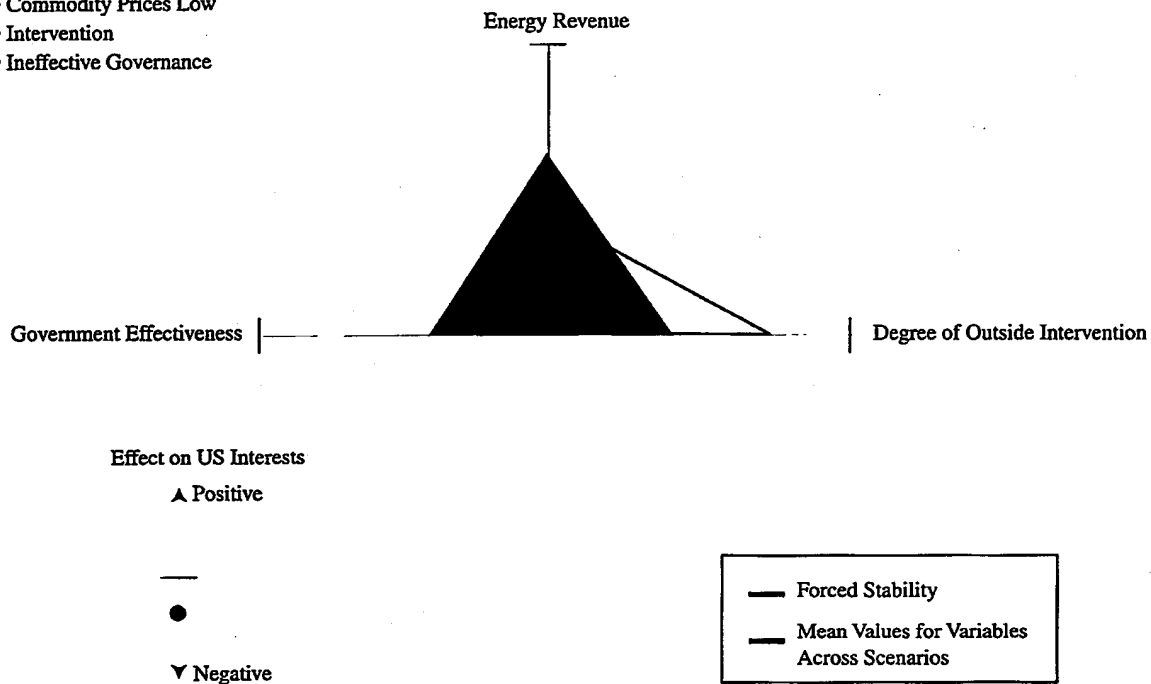
In this scenario, ideology plays a major role. There is competition among outside powers for support of their respective ideologies. Islamic activists, Pan-Turkists, democrats, and regionalists are a few examples of the

possible competing ideological groups. Nationalism is also strong.

Weak local governments and strong ideologies result in the inability of local governments to control their borders. Weak governments with growing nationalism prompt minority ethnic groups to want out of the country in which they reside, leading to local conflicts and border disputes. Furthermore, outside powers manipulate local minority concerns.

Figure 9
Forced Stability Scenario

- Commodity Prices Low
- Intervention
- Ineffective Governance



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Commodity Prices

World energy supply exceeds demand, and the region is estranged from the world trading community. World trade growth slows, and there are only limited foreign capital inflows. International oil companies leave the region because of a combination of low energy prices and a collapse of internal infrastructure and social cohesion. Mismanagement of oil revenues and low prices exacerbate economic problems, leading to state collapse.

Intervention

Russia and China are most engaged in the region, followed by Iran, Turkey, and India. The China, Russia, and Iran engagement is driven by geostrategic considerations and not economics. The Turkish engagement is driven by cultural ties. India becomes engaged in the region as a counter to greater Chinese influence

there but is unlikely to be a major player. If China becomes more involved in the region, then Russia still has not recovered sufficiently to be able to exert influence there. Russia is likely to remain a power in the Caucasus, but it has less influence in Central Asia where China is attempting to fill the vacuum.

Governance

This scenario assumes the same economic preconditions as the Failed State scenario. All key Caspian states are almost certain to face economic regressions, with growth and economic performances in all sectors declining precipitantly. Foreign investors have no interest in putting money into the region, and domestic capital—what little there is—flees as well. Governments are barely able to manage their economies, and the public operates on a survival of the fittest basis.

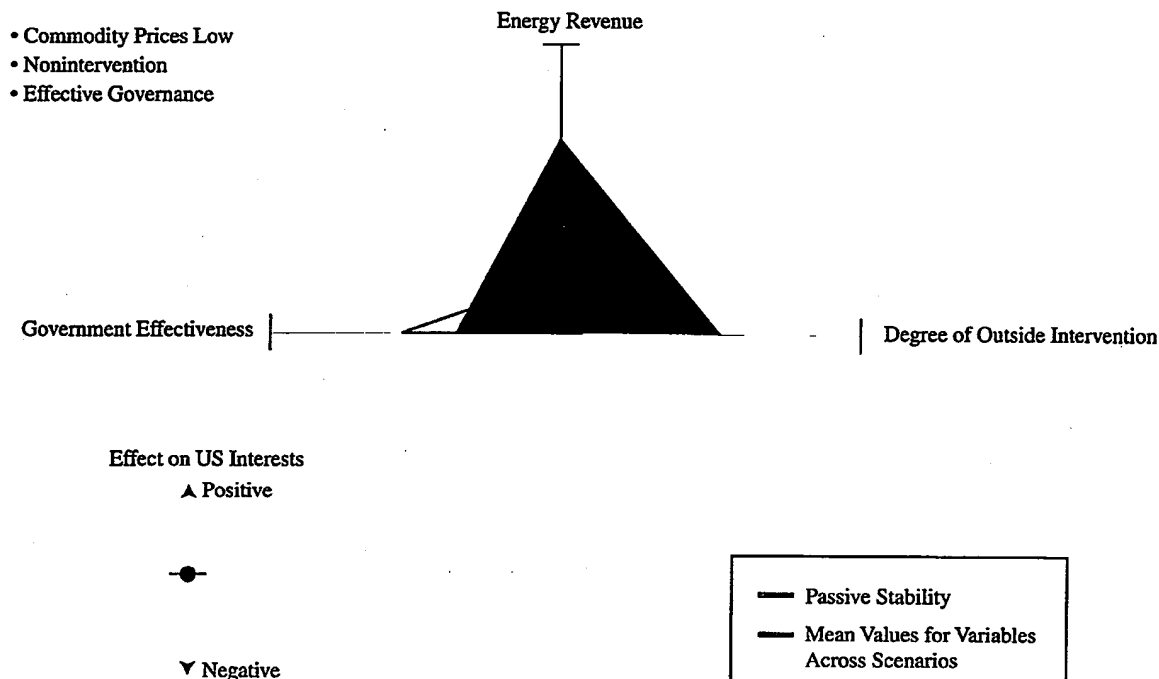
Economic data are virtually nonexistent, and investors, businessmen, creditors, and aid providers have no focal points through which to deal. Local banks of "entrepreneurs" gain control over agriculture, infrastructure, and other economic facilities and extort money from the public in return for the use of these resources and products. There is increased regional urbanization and a lack of infrastructure investments in the region. Trafficking in guns and drugs proliferates, and the area becomes a central training ground for terrorists.

Individual Country Developments

Local regimes are narrowly based, authoritarian, and unstable. There is no attempt by regional entities to form regional coalitions and no succession mechanism. Internal instability feeds on itself, producing an environment in which no state has the political or economic resources for adequate infrastructure.

Intraregional conflict is high as are border conflicts based on ethnicity. There is low regional security and high military expenditure for which local governments turn to neighboring states for help. Borders are porous with illegal trafficking of all goods. This scenario would be a proliferation nightmare with the region as a major transit route. Instability, ethnic conflict, and ineffective governments would cause many nonstate actors to emerge, most of whom would be criminal elements or terrorist groups. It is unlikely that many international businessmen or corporations would exist because lawlessness and corruption are rampant.

Figure 10
Passive Stability Scenario



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Commodity Prices

Low prices for basic commodities and oil force local states to try and diversify their economies or increase production of low-level manufactured goods. Growth falls below expectations for oil producers because they do not garner significant foreign investment. In addition to lower oil prices hindering foreign investor interest, investment in the nonoil sector also is limited because governments implement few measures to make investments attractive. Governments do not allow utility service providers to charge market prices for their products, for example, and there are a number of price controls and other market distortions that make doing business in the region uncertain and unattractive. Local governments lack both the domestic

funds and the foreign investment to build needed infrastructure.

Intervention

Limited economic prospects and low energy prices leave this area as one of little concern to the great powers. Russia is largely preoccupied with its own domestic crises. It remains engaged in Armenia, Georgia, and Kazakhstan but not in other countries in the region. China is preoccupied toward the east. It has developed a good relationship with Kazakhstan,

which it relies on to help it with Uighur separatists. Turkey maintains its close relationship with Azerbaijan and is its largest trading partner. Iran and Turkmenistan maintain their economic relationship. India has developed relationships elsewhere and is not concerned with the region. The United States, Europe, and Japan spend little time on this part of the world, although the United States provides some aid. ☐

Governance

Stability, which comes from indifference rather than prosperity, reigns. There are varying degrees of autocratic rule throughout the region, but none of the countries is so autocratic that the government ceases to be effective in meeting the people's needs. The regimes, for the most part, are corrupt and have no succession mechanisms, but leaders have been in place for years and are largely related to previous leaders. Some of the new states evolve into gangster states based on drug trafficking and intimidation. Kyrgyzstan and Georgia are the most notable exceptions and are the most democratic. Turkmenistan remains much as it is now, with President Saparmurat Niyazov or his handpicked successor remaining in power. Azerbaijan, Kazakhstan, and Uzbekistan are highly corrupt and autocratic. ☐

There are few civil liberties in most of the region, although governments have implemented enough reforms to keep the people hopeful of change. For example, governments have revamped education and health care, and there are local government-run projects to employ young men. Local governments attempt to limit urban migration by developing incentives for young males to remain in rural areas. Some programs work; most do not. The governments also encourage outmigration to alleviate the strain of population growth. Statist regimes are able to block most ideological challenges by keeping the population satisfied with these meager social sops and quality of life improvements. Any limited attempts to develop new ideologies result in regimes coming down firmly on "oppositionists." Those in power, criminal elements, are by far the wealthiest. The populace becomes adept at and comfortable with gaining higher living standards through black-market activities. There is considerable cross-border trade in illegal goods. ☐

Individual Country Developments

Kazakhstan, which started to encourage foreign investment early, performs slightly better than its neighbors. It makes some improvements to its legal and banking systems to encourage more foreign investment. Economic growth is limited, however, because Kazakhstan does not have the money to make significant infrastructure improvements. Privatization slows because of limited domestic capital and limited interest by foreign investors. There still is some limited investor interest in consumer goods industries, transport, and other nonoil sectors, but the extent of this investment is inhibited by brownouts, poor transportation facilities, and other infrastructure deficiencies. What little investment there is in infrastructure, other than oil, is heavily concentrated in telecommunications and electricity. Traditional sources of growth including gas and oil fall in part because Kazakhstan has limited success coming to agreement on the use of oil export routes (all of which are controlled by Russia). This aggravates the problem of cash shortages and aging equipment:

- Kazakhstan's already weak road network deteriorates further because the government lacks the funds to maintain it. This increases the cost of distributing and exporting agricultural and basic consumer products.
- Gas-producing areas remain unconnected to consuming areas, and the government does nothing to ensure that domestic consumers pay for the use of electricity, making private investment in the sector unattractive. ☐

Turkmenistan has an even tougher time exporting hydrocarbons than other countries because it still relies heavily on the Russian pipeline grid for access to export markets. Turkmenistan does not significantly develop its oil resources, and efforts to diversify the agricultural sector—by increasing the production of food and reducing the production of cotton—are unsuccessful. Nevertheless, Turkmen officials remain heavily dependent on cotton exports and food imports. ☐

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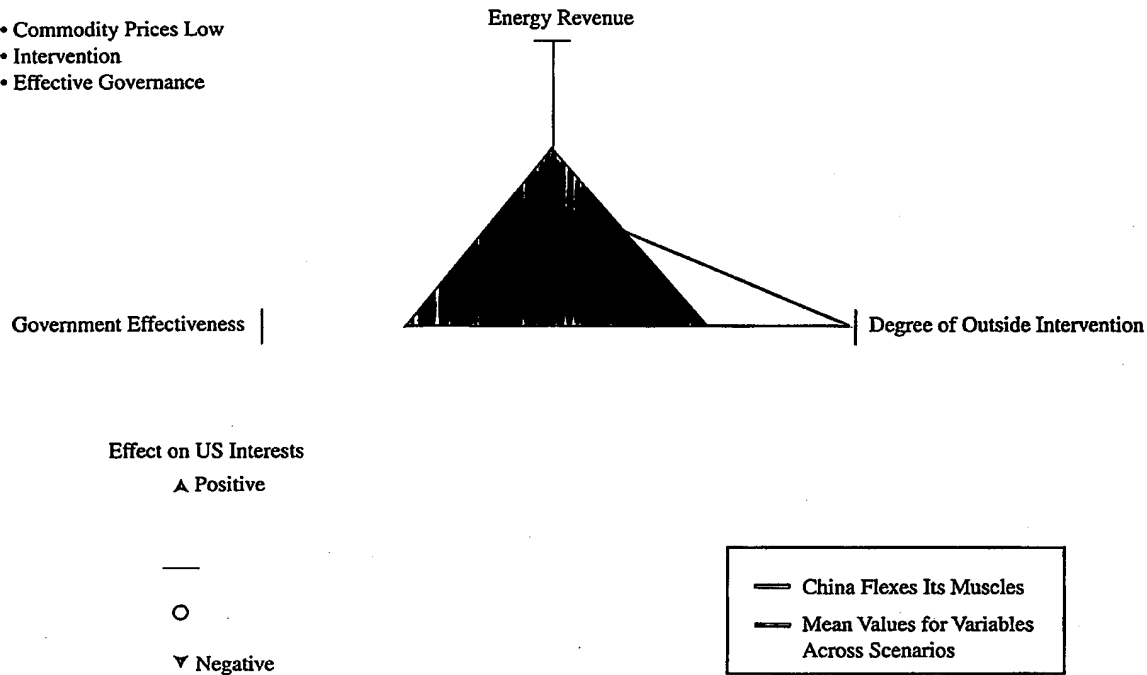
Uzbekistan, whose economy is more diversified, does as well as Kazakhstan economically but is still held back by its limited progress on reform. It becomes more integrated into the global economy with nonoil trade and investment. It gains earnings from gold and minerals including uranium, copper, zinc, tungsten, silver, molybdenum, lead, and cotton, but economic infrastructure remains underdeveloped.

Azerbaijan makes piecemeal changes to boost foreign investment, but there are few takers, in part because of better opportunities in Kazakhstan, Uzbekistan, and elsewhere. The country's agricultural production improves somewhat but remains only slightly above late 1990 levels because of still serious shortages of food storage, packaging, and processing facilities.

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Figure 11
China Flexes Its Muscles^a Scenario

- Commodity Prices Low
- Intervention
- Effective Governance



^aRussia or Iran could also be the main character in this scenario. We chose China as the main actor because we surmised that there would not be the visceral reaction to Russia's reasserting its hegemony in the region that there would be to a new hegemonic power. We also believed it unlikely that Russia would have recovered sufficiently 15 years out to be able to regain power in the region. Iran is also unlikely to have the economic might to assert itself in the region. Local leaders have sufficient concern about Iran's influence that we deemed it less plausible that Tehran could infiltrate sufficiently into local politics to make its preeminent role in the region a fait accompli.

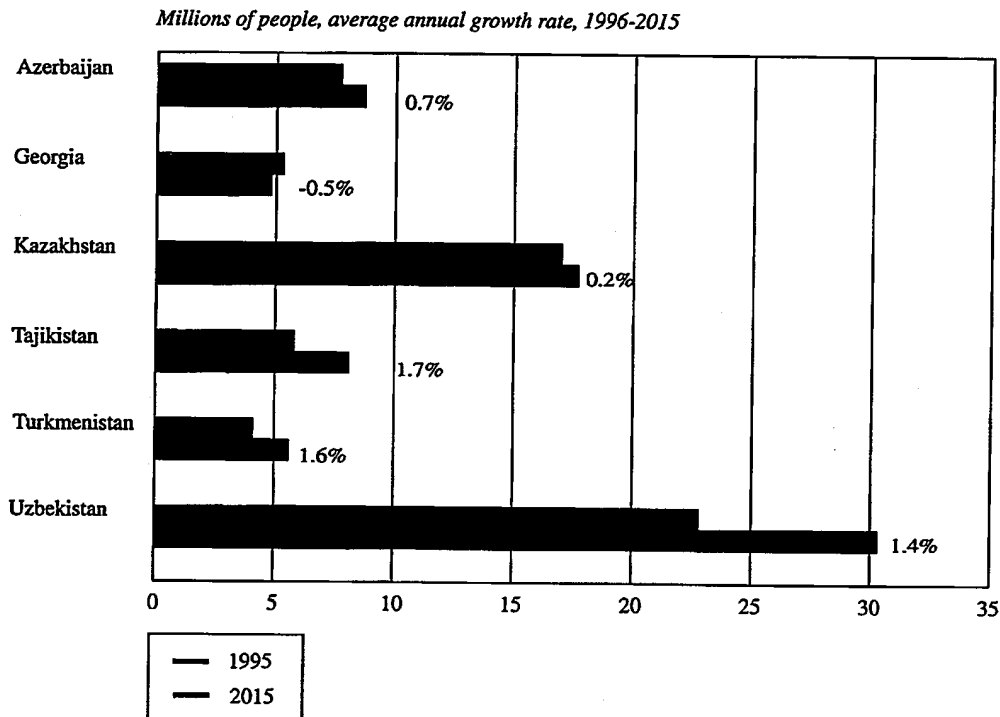
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Commodity Prices

Because oil exporters' earnings are limited, these countries attempt to bolster revenue with indirect taxes on trade and businesses, significantly discouraging private investment in the region and slowing economic development and diversification. Local governments rely on international organizations to help them shore up their economies. These governments do make some headway improving their financial sectors and economic institutions and draw on loans from the World Bank and bilateral lenders to

make piecemeal improvements to nonoil infrastructures. All governments remain highly dependent on primary commodities such as cotton, metals, minerals, and oil, however, and maintain production levels roughly equal to those of the late 1990s. Governments are unable to commit to many medium to longer term economic development projects because their heavy dependence on the production and export of price-volatile and weather-dependent commodities makes government revenues unpredictable from year to year.

Figure 12
Caspian Region: Population and Population Growth Rates



Source: US Bureau of the Census, 1998. Recent census data indicate that Kazakhstan's total population is 14.9 million.

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Intervention

Foreign economic interest in the region is limited, except from China, which is seeking to establish a captive source of cheap oil to fuel its rapid economic growth. International energy investment flows out of the region in search of more profitable investment opportunities. Russia tries to counterbalance Chinese influence in part by strong-arming Turkmenistan, Kazakhstan, and Azerbaijan into deals to share oil revenues in return for access to pipelines, decreasing the oil revenues that flow into these governments' coffers.

China's actions are the catalyst for great-power competition on a large scale. Under this scenario, China is interested in the eastern portion of the region, espe-

cially Kazakhstan, for access to long-term energy markets. Beijing is thinking strategically about energy and seeks to secure new supplies. The Chinese intervention is characterized as a slow absorption through Chinese migration, aid to Kazakhstan, and a network of Chinese trading communities. Chinese migration into Central Asia is slow and trade related, which helps the populace accept the increased Chinese presence.

A catalyst for drawing outside powers into this scenario would be Chinese expansion of influence globally, with Central Asia as one of several regions in which China is attempting to gain preeminent influence.

At first the United States and the rest of the West remain isolated from the great-power maneuverings in the region. As regional politics play out, however, the West, led by the United States, attempts to stem the growing global power of China. The West does this by forging alliances with some of the countries in the region. Local regimes, in turn, attempt to find pairings with big powers. ☐

China establishes a close relationship with Kazakhstan, largely because Astana is not interested in working with a weakened Russia. The possibility of unrest on the border between Kazakhstan and China is a major factor in the growing Kazakhstan-China relationship. China is the dominant power in Kyrgyzstan as well. Beijing's influence wanes farther west, as does its interest in developing that influence. ☐

Other countries that we thought might become involved in the region in this scenario would use a number of means to gain their own or counter another country's influence:

- The United States cultivates a close relationship with Uzbekistan as a counter to an incipient China-Kazakhstan alliance. The United States stops short of basing troops in the region as a way to counter Chinese influence in the Caspian region. The dynamics between the United States and China become crucial.
- Turkmenistan has a significant relationship with Iran.
- Azerbaijan's principal links are first to Turkey, then to Israel, and finally to the United States. Europe becomes a bigger player in the region—mainly through Georgia and Azerbaijan.
- Armenia remains dependent on Russia. Fearing disruption of oil pipelines, the West increases pressure on Armenia to make concessions on Nagorno-Karabakh.
- India, concerned about Chinese influence in Kazakhstan, also courts Uzbekistan.
- Under this scenario Russia is a second-order power in the region. It plays the role of spoiler, largely in the Caucasus but also in northern Kazakhstan.

Regional Development of WMD is Unlikely ☐

One of the low probability/high impact scenarios that our experts examined was the decision of one or more of the governments in the region to develop weapons of mass destruction (WMD). Our experts agreed that the development of WMD capabilities was highly unlikely, especially because Central Asian leaders are genuinely pursuing a plan to make the region a nuclear-weapons-free zone. Despite the improbability, the importance of this issue led us to push our experts to imagine even highly unlikely scenarios in which countries might develop such capabilities. Our experts devised two scenarios:

- *They agreed that Armenia would be most likely to pursue the development of nuclear weapons. Armenia might adopt this course if it believed that its country was on the verge of losing its sovereignty. This might happen if Russia walked away from it, perhaps to develop a closer relationship with Azerbaijan. Turkey would have to develop into a more nationalistic and chauvinistic state, and the West would have to completely turn its back on Armenia. Our experts believe that some members of the Armenian diaspora community would be willing to supply the technology and funds for such a project.*
- *Another even less likely scenario was that Uzbekistan might choose to develop a nuclear weapon. This would happen, according to our experts, if the United States downgraded regional nonproliferation as a high priority. The Uzbekistanis would not have a strategic reason for developing such a weapon but might be motivated by prestige. It is possible that if the Uzbekistanis got into a war with Tajikistan they might want to use chemical weapons. Our experts could not postulate a reason for Uzbekistan, or any other country in the region, to develop biological weapons.* ☐

Russia attempts to prevent China from dominating Kazakhstan, and this hostility will probably be reflected in Russian policies elsewhere in Central Asia to weaken China—such as support for Xinjiang separatism.

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- Turkmenistan and Russia are tied but links are much weaker than those of other states to outside powers.



Governance

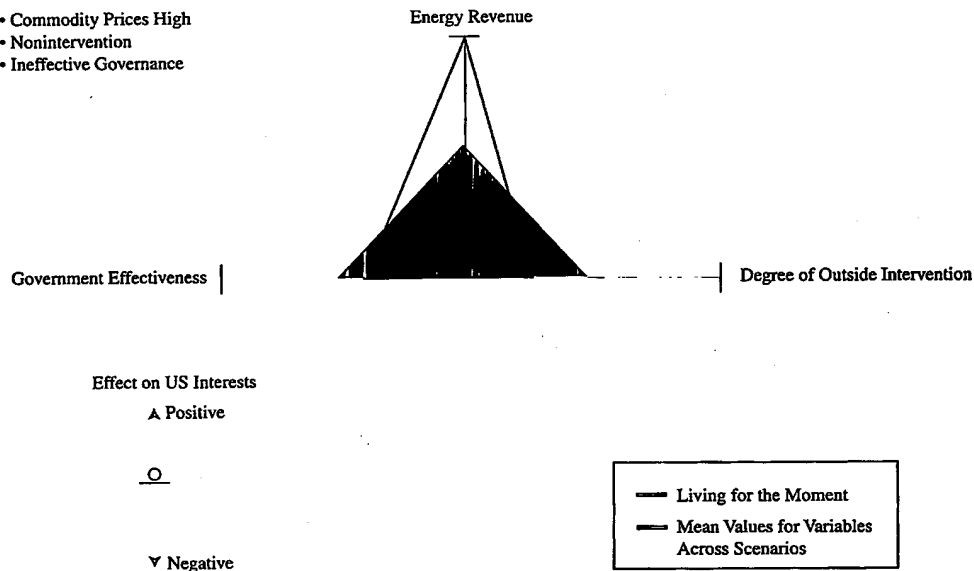
This is a period of good, if autocratic, governance. There is some corruption, but it is tempered by the establishment of local institutions that help the populace with education systems and work programs. Borders are porous, and most security funding is spent on internal police. Although there is urban migration, the local regimes attempt to stem this through agricultural back-to-work programs in the rural areas. There is an anti-Chinese nationalism in some countries such as Uzbekistan.



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Figure 13
Living for the Moment Scenario

- Commodity Prices High
- Nonintervention
- Ineffective Governance



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Commodity Prices

Commodity prices are high because of strong growth globally.

Intervention

Local governments' inability to manage economic and political conditions scares both domestic and foreign investors away. Outside players are primarily concerned with economics and ensuring the continued flow of energy to international markets. Russia remains on the decline and is preoccupied with domestic issues. China attempts to increase its role in the energy sectors but does this slowly and is focused on the East. The United States, Europe, and Japan are interested in the energy sectors but are not following through on infrastructure projects because of the lack of economic and political reforms in the region. Iran

attempts to become a bigger player and vies with Turkey as a route and customer for energy exports. Neither country wants to take on China or Russia; they quietly emphasize economic avenues and parrot the US focus on multiple pipelines.

Governance

This scenario centers on corrupt local governments: nothing gets accomplished without a payoff. Statism is common in the region. Georgia, Kazakhstan, and Uzbekistan sporadically develop projects intended to keep unrest at bay, such as focusing in the short term on the educational system, building a new university, or making moves toward developing work programs. These programs are large and superficial and are used

as present-day Potemkin villages to show the populace that they are benefiting from the oil wealth. Population dynamics and inequalities could eventually increase instability and migration. ☐

Military expenditures—especially for internal police—are high. Armies are fairly conventional. It is unlikely that these states are inclined to bold thinking or creative military innovation. The militaries are used primarily for internal control and for putting down cross-border unrest or local irredentism. Fear of being drawn into these messy, largely ethnic, clashes keeps the bigger powers from becoming too involved in the region. ☐

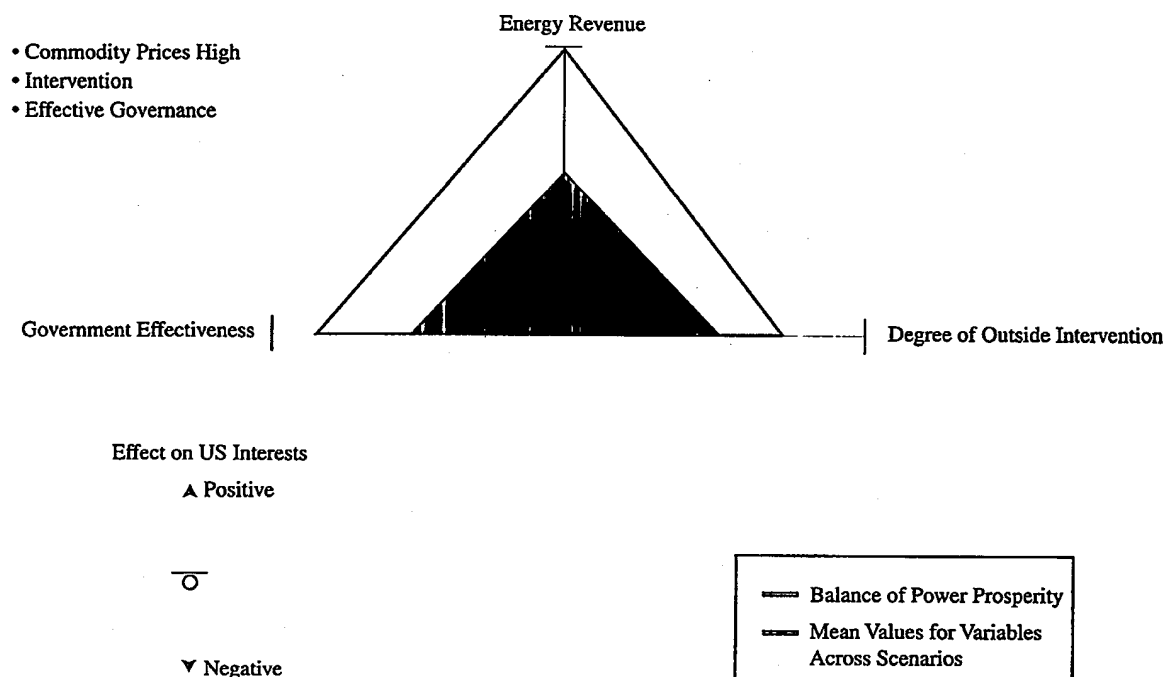
Individual Country Developments

Individual incomes are most unequally distributed in this scenario, and governments offer few incentives to encourage the development of private businesses. Governments, attempting to reduce public unhappiness brought on by low incomes, subsidize the use of oil, gas, electricity, and agricultural goods, which

leads to overuse, inefficiencies, and waste. They also discourage high inflows of foreign investment:

- Although Kazakhstan and Azerbaijan, in particular, attempt to increase privatization, they have little success because investors do not trust government leaders and are not convinced that their properties will not be expropriated or taxed away in the future.
- Uzbekistan, which is one of the least energy-dependent countries, fares well under this scenario compared with its neighbors. It continues to rely on other goods and services for economic support but also fails to make the needed economic reforms that allow open trading, privatization of key industries, and other more open reforms associated with market economies. ☐

Figure 14
Balance of Power Prosperity Scenario



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Commodity Prices

This scenario assumes that the Caspian region provides a large percentage of the world's oil exports—a close second to the Persian Gulf—because sanctions remain on Iran and Iraq. There also is enough oil in the region for eastern and western markets. Oil prices are high because of strong global growth and high demand from China. Prices for other basic commodities—such as cotton and gold—fluctuate throughout the period but on average remain high enough to enable nonenergy producers to run small trade surpluses.

Intervention

Pipelines to China have become operational, and Caspian oil is flowing east. This makes the West and Turkey determined to ensure that oil flows west via Azerbaijan and Georgia and raises the strategic salience of both countries. Strong interest in the region from outside powers leads Western countries to pool their resources to develop a Marshall Plan-style aid package in an attempt to increase influence there. The aid would be equally concentrated on oil and nonoil producers and sectors. Europe establishes the Eurasian economic corridor, which raises the importance of

Georgia. With the aid, US companies become more interested in investing in the region.

With the growth of Western influence, other external players try to establish a foothold in the region. Local regimes have varying relations with external patrons—from quasi-colonies to client states to successful manipulators that play two or more suitors off one another.

Russia remains a major outside power but is not a dominant player except in the Caucasus. China gains more influence and becomes the dominant player in Kazakhstan:

- Russia manipulates the Russian population of north Kazakhstan to destabilize a more pro-Chinese Astana. The Kazakhstanis' ability to manage this situation is questionable. Kazakhstan heavily depends on China for internal stability, arms, and troop training.
- China establishes a close relationship with Kazakhstan, largely because Astana is not interested in working with a weakened Russia. China is the dominant power in Kyrgyzstan as well. China has less influence farther west and less interest in developing that influence.
- Iran attempts to gain a foothold in Turkmenistan.

Governance

The region is relatively stable. Regional governments range from autocratic to democratic. Across the board there is improvement in the development of government institutions. Each of the governments has a proven, constitutional succession mechanism, but some governments' mechanisms work more smoothly than others. Kazakhstan, Kyrgyzstan, and Georgia become the most democratic. Uzbekistan and Turkmenistan remain most autocratic. Nonetheless, most regional governments move forward in developing political institutions that make their populace feel hopeful and optimistic about their future. Income is distributed relatively fairly within states, with the rich contributing to the poor through formal philanthropic organizations, taxes, and informal networks.

Individual Country Developments

Azerbaijan persuades the United States to lift Section 907 of the Freedom Support Act of 1992 so the country can import free or subsidized wheat from the United States. The government significantly improves the climate for private investment by setting up a rudimentary banking system early on in the scenario that eventually leads to the creation and successful operation of a number of private banks. Foreign banks are allowed to set up branches in the country and to provide loans to private businesses. The government manages its fiscal accounts well because of the inflow of oil revenue and foreign aid.

Kazakhstan boosts foreign direct investment beyond the roughly \$1.3 billion it had in 1997 (and maintains it on an annual basis) by continuing with rapid privatization and improvement in the investment climate for foreign and domestic businesses. The reforms include:

- The government significantly improves its official banking sector by instituting minimum reserve requirements, reducing interest rates on loans from the current 25 percent, and improving oversight and regulation. All of these factors boost the availability of investment capital available to domestic businesses. Western experts directly assist the government and private investors in modernizing the country's financial sector and regulating stock markets.
- The government reaches agreement with Russia on the ownership of Caspian offshore reserves. The country makes moderate improvements to its transportation and communications infrastructure with loans from the World Bank and bilateral donors and creditors. Most Kazakhstani energy goes to the East; some goes to the West.

Turkmenistan uses Marshall Plan-style aid to improve existing gas pipelines and build new ones, giving the country better access to hard currency markets without relying on the Russian pipeline grid as it does now. The government comes close to making the country self-sufficient in food production by the end of the

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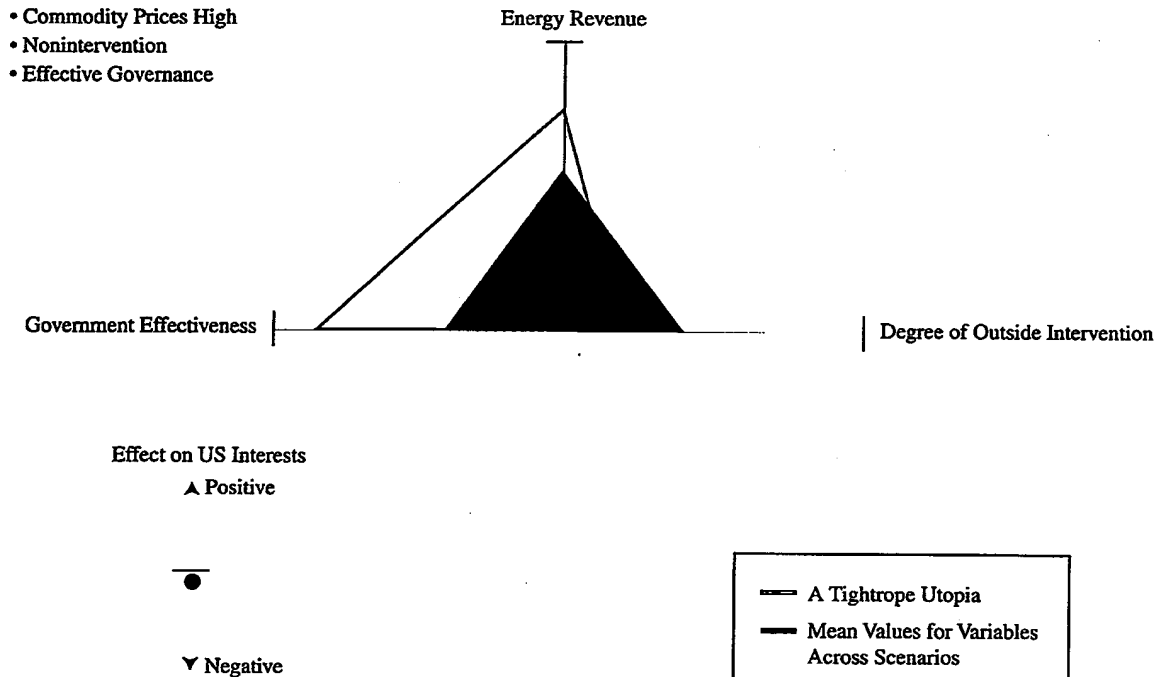
decade by investing in dairy and sugar processing plants and equipment and other food processing equipment.

Uzbekistan is able to take advantage of its large natural resource base, skilled work force, and foreign aid to improve production and export of gold, agricultural goods, and other metals. The sustainability of growth is questionable, however, because the government remains committed to a go-slow approach to economic reform:

- Despite improvements the government makes with outside assistance, it maintains controls on prices and wages and heavily subsidizes public goods (such as electricity and oil), discouraging the development of a strong small business sector.

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Figure 15
A Tightrope Utopia Scenario



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Commodity Prices

In this scenario, economic issues drive international strategies and alliances. Global growth is relatively high, boosting energy and other commodity prices. Iran and Iraq are no longer under sanctions, but global energy demand exceeds supply because of high demand for oil from China.

Intervention

The Caspian region is politically stable, so most outside governments leave development of energy resources to the private sector and do not become embroiled in regional political issues. Competition for regional influence among the external forces remains a factor but is not carried out to any extreme. Regional neighbors generally are benign because domestic

governments are stable and all outside players are profiting from oil and gas export sales:

- Russia's imperial ambitions have receded, and its petroleum sector is cooperating profitably in developing and marketing Caspian energy. Russia continues to meddle in Caucasus politics and in northern Kazakhstan but when push comes to shove will effectively be countered by other forces.
- Iranian-US relations have improved, and Iran is reintegrated into the world economy and becomes a major customer and transit route for Caspian energy.

Governance

The effects of internal developments in each of the countries are mixed:

- Over time, most of the local governments develop proven succession mechanisms and effective domestic institutions that populaces consider largely legitimate.
- Intraregional cooperation increases from its current level, but there is no sense of a cohesive regional security alliance. Most cooperation revolves around trade issues. ☐

Individual Country Developments

Several governments in the region embrace market reforms because of the success these reforms have had in promoting growth in other developing regions:

- In most countries, domestic businesses become more active in the near to medium term and more important drivers of growth. Local governments are interested in diversifying their economies, and many government leaders break down bureaucratic and institutional barriers to development.
- Central Asian and Caucasus governments and businesses improve their upstream and downstream oil sectors or become more efficient producers (and exporters to a much lesser extent) of midrange goods such as textiles, chemicals, processed foods, and, on a smaller scale, automobiles. Tourism blossoms slowly as the region develops its infrastructure, and private entrepreneurs set up small businesses that cater to tourists. ☐

Kazakhstan boosts foreign direct investment beyond the roughly \$1.3 billion it had in 1997 (and maintains it on an annual basis) by continuing with rapid privatization and improvement in the investment climate for foreign and domestic businesses. The reforms include:

- The government significantly improves its official banking sector by instituting minimum reserve requirements, reducing interest rates on loans, and improving oversight and regulation. All of these factors boost the availability of investment capital to domestic businesses.

- Kazakhstan privatizes its pension system, and private pension managers begin to invest funds in the country's growing stock markets.

- The government reaches agreement with Russia on the ownership of Caspian offshore reserves. The country makes moderate improvements to its transportation and communications infrastructure with loans from the World Bank and bilateral creditors.

☐
Azerbaijan effectively diversifies its economy and offers investment policies favorable to foreign investors. It improves the already favorable climate for foreign investors as oil prices increase:

- Because of the stable government and favorable climate for investment, domestic entrepreneurs are willing to invest in this area. The country improves its telecommunications. With loans from the World Bank and other sources, Azerbaijan makes minimal improvements to its transportation network. The government continues to make slow, steady progress improving its nonoil infrastructure facilities to reach its goal of eventually serving as a key international distribution point for both the Caucasus and the Caspian areas. ☐

Uzbekistan avoids reforms but manages to increase hard currency earnings through its production and exports of hydrocarbons, metals, and cotton. The country makes limited gains increasing agricultural output but remains dependent on food imports. Domestic business activity increases only slowly because the government maintains its gradual approach to economic reform, slowing the pace of privatization and financial reform. ☐

Turkmenistan is not as successful as Kazakhstan and Azerbaijan. Construction of the Turkmenistan, Afghanistan, and Pakistan oil pipeline never gets off the ground because of continued anarchy in Afghanistan and failure to reach an agreement on revenue sharing. Hard currency earnings do not flow in as quickly to Turkmenistan. The government makes marginal improvements in agricultural infrastructure, and the country remains heavily dependent on cotton production and cotton exports. ☐

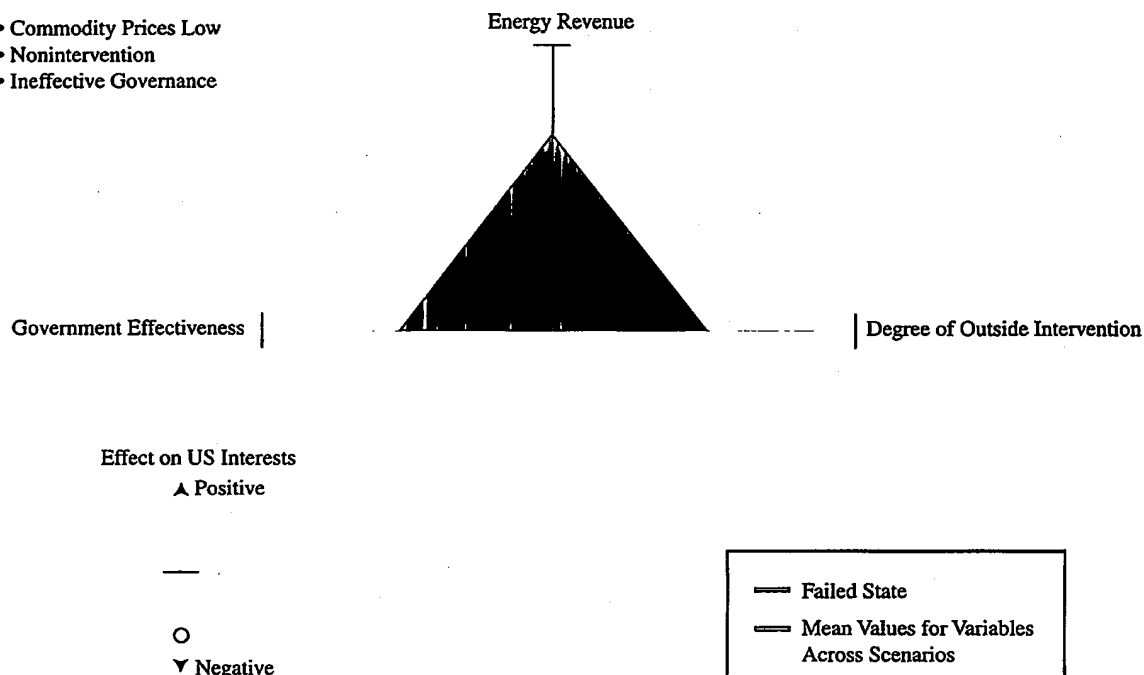
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Each state's increasing standard of living enables it to establish its own "national" ideology, and nearly all members of those states feel that they are included within it. Income inequalities are high initially, but there is a perception among populaces that opportunities to gain wealth are available to all. Minorities do not find themselves wooed in the interests of irredentism.

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Figure 16
Failed State Scenario

- Commodity Prices Low
- Nonintervention
- Ineffective Governance



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Commodity Prices

In this scenario world energy supply exceeds demand, and there is little pressure to develop Caspian energy. Energy and commodity prices remain low, the latter because of several years of good weather conditions and improved cultivation techniques for agricultural goods. Mismanagement of oil revenues and low commodity prices exacerbate economic problems, leading to state collapse.

Intervention

There are significant limits on the way outside powers can effect the actions of the local countries, except through the use of force, which they are not willing to commit because the stakes are not high enough. As long as conflict remains within the region and oil

revenues are low, there is little gain for outside powers to become embroiled in these areas.

Governance

All Caspian states face economic regression, and growth and economic performances in all sectors decline precipitantly. Foreign investors have no interest in putting money into the region, and domestic capital—what little there is—flees as well. Governments are barely able to maintain their economies, and the public operates on a survival of the fittest basis. Economic data are poor, and investors, businessmen, creditors, and aid providers have no focal points through which to deal. As a result, even the IMF is

unwilling to commit funds to the region until the situation improves. Local banks of "entrepreneurs" gain control over agriculture, infrastructure, and other economic facilities and extort money from the public in return for the use of these resources and products.

[]

There is no institution building, development of infrastructure, or addressing of social concerns. Countries are largely weak authoritarian regimes perhaps with multiple regime turnover. Corruption runs high. Regimes reel from one internal or even regional crisis to another. There is no time for long-term planning or economic development. []

Populations seek something not offered by the local governments, such as religion or nonstate actors. Ideology is a highly charged and contentious factor. The

poverty also results in the growth of differing ideologies such as Islamic fundamentalism. There are severe inequalities among each state's populations and among the states themselves. []

Borders are porous with illegal trafficking of any goods possible. This scenario is a proliferation nightmare, with the region as a major global transit route for weapons of mass destruction (WMD) and narcotics. There is a proliferation of trafficking in guns and drugs, and the area becomes a central training ground for terrorists. It is possible that terrorists could use the region as a place to develop WMD. Nonstate actors have greater freedom of action under this scenario. Organized crime and drug traffickers infiltrate state institutions. States become havens for criminals, weapons proliferators, and terrorists. []

Appendix B

Project Participants ☐

Bulent Aliriza is a senior associate at the Center for Strategic and International Studies (CSIS). He is an expert in Turkish politics and foreign policy as well as relations between Turkey and the wider Turkic world. Aliriza directs the Turkish program at CSIS and is codirector of the CSIS Caspian Sea Oil Study Group. He served for a number of years as a Turkish Cypriot diplomat, with postings at the UN and in Washington. He also has been a senior associate at the Carnegie Endowment for International Peace. Aliriza holds a B.S. in international relations from the London School of Economics and Political Science and a Ph.D. in international relations from the University of Oxford.

Audrey Altstadt is an associate professor of history at the University of Massachusetts, Amherst. She is the author of *The Azerbaijani Turks: Power and Identity Under Russian Rule* and numerous articles on Azerbaijan and Central Asia. She is past president of the Association for the Advancement of Central Asian Research. She conducted research on the history and culture of Azerbaijan during 16 months in Baku as an exchange fellow with the International Research and Exchanges Board during the 1980s. Altstadt holds a B.A. in Russian language and area studies from the University of Illinois and an M.A. and a Ph.D. in history from the University of Chicago.

Richard Armitage is president of Armitage Associates, an international business and public policy firm. From March 1992 to May 1993, Armitage served as Ambassador directing US assistance to the Newly Independent States. In previous public service he was deputy assistant secretary of defense for East Asia and Pacific affairs from 1981 to 1983, assistant secretary of defense for international security affairs from 1983 to 1989, and special mediator for water in the Middle East from 1989 to 1992. Armitage served in the US Navy in Vietnam after graduating from the US Naval Academy in 1967.

Richard Auty is a reader in the geography of economic development at Lancaster University, England. Auty is also a senior research fellow at the World Institute for Development of Economics Research at the United Nations University in Helsinki. In 1997 he was a visiting scholar at Harvard University's Institute for International Development and under these auspices did field work in Turkmenistan and Kazakhstan. He has a forthcoming book titled *Sustainable Development in Mineral Economies*. He published several papers in 1997 on oil wealth and its effect on Kazakhstan and

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Lowell Bezanis is a consultant specializing in Central Asian issues and a reporter for the Energy Intelligence Group. He has done monitoring and advising work for the Open Media Research Institute and the Middle East Technical University. He has published various articles on Central Asian and Transcaucasian politics and development and is currently studying natural gas transport issues. Bezanis holds a B.A. in Middle Eastern affairs from Vassar College and an M.A. in Near Eastern history from UCLA.

Thomas Crumm manages the Scenario Development and Application Group for General Motors as part of the Corporate Strategy and Knowledge Development Staff, maintaining corporate ties to academia, government, and futurists. He is a former member of a GM Corporate Strategic Planning Group, specializing in manufacturing. He has also worked extensively in GM operations. Crumm holds a B.S. from General Motors Institute and has studied at the Wharton School and at Harvard and Northwestern Universities.

John Daly is director of publications at the Central Asia Institute at Johns Hopkins University. Among other positions, he has worked as a guest lecturer in the history department at Koc University in Istanbul, Turkey, and associate professor of Russian naval history at Kansas State University. Daly holds a B.A. in history from Northwestern University and a Ph.D. in history from the University of London.

Nicholas Eberstadt is a visiting scholar at the American Enterprise Institute and a visiting fellow at Harvard University's Center for Population and Developmental Studies. His expertise is in the fields of foreign and defense policy studies as they relate to social and economic trends. Eberstadt has written numerous articles and books on a wide range of topics including poverty and demography in the former Soviet Union. He is a member of the Council on Foreign Relations. Eberstadt holds a B.A., an M.P.A., and a Ph.D. from Harvard University and an M.Sc. from the London School of Economics.

William Fierman is director of the Inner Asian and Uralic National Resource Center at Indiana University. He has taught at the University of Tennessee and has worked as a consultant of the US Board of International Broadcasting and as an analyst for the US Information Agency. His research has focused on language issues as integral parts of Central Asian cultural identity. Fierman holds a B.A. in Slavic and East Asian languages and

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Graham Fuller is a senior political scientist at RAND Corporation, where his primary work is on the Middle East, Central Asia, and former Soviet nationality affairs. He served 20 years in the Foreign Service, mostly in the Middle East. He also was the National Intelligence Officer for Near East and South Asia, where he was responsible for long-range forecasting. Fuller has published many studies and articles on geopolitics in the Islamic world. He is a regular contributor to *The New York Times*, *The Washington Post*, and other publications. He also appears on ABC's *Nightline*, CNN, and *The McNeil-Lehrer News Hour*. Fuller holds a B.A. and an M.A. in Russian and Middle Eastern studies from Harvard University.

Sumit Ganguly is professor of political science at Hunter College, City University of New York. He specializes in South Asian comparative politics, ethnopolitics, regional security, and nuclear nonproliferation. Ganguly has performed extensive research on ethnic and border conflicts in India and South Asia. He has written on the Kashmir crisis, Indian and Pakistani nuclear programs, prospects for regional cooperation, and a variety of other issues. Ganguly holds a B.A. in English and political science from Berea College, an M.A. in political science from Miami University, and a Ph.D. in political science from the University of Illinois.

Sherman Garnett is a senior associate at the Carnegie Endowment for International Peace specializing in the foreign and security policies of Russia and the former states of the Soviet Union. He also directs a new endowment project on Russian-Chinese relations to assess the changing dynamics of that relationship. Garnett previously served as deputy assistant secretary of defense for Russia, Ukraine, and Eurasia and in a variety of other DoD positions. Garnett holds a B.A. in political philosophy from Michigan State University, an M.A. in Russian and East European studies from Yale University, and a Ph.D. in Russian literature from the University of Michigan.

Harry Gilmore is dean of senior seminar and the chair of Caucasus Area Studies at the State Department Foreign Service Institute. He was the first US ambassador to the Republic of Armenia from 1993 to 1995. His previous Foreign Service assignments have included deputy commandant for international affairs of the US Army War College; director of the Office of Central European Affairs; and postings to Ankara, Budapest, Moscow, and Munich. Gilmore holds a B.A. from the University of Pittsburgh and performed graduate study at Indiana University.

William Helkie is chief of the US International Transactions Section of the Federal Reserve. He has served in numerous capacities at the Federal Reserve including as chief of the Quantitative Studies Section. He served as an economic consultant to the Ministry of Finance and the Central Bank of the Government of Nepal and as a visiting scholar at the Economic Research Institute, Economic Planning Agency, Government of Japan. He has taught various macroeconomics and international finance courses. Helkie holds an engineering degree from West Point and a Ph.D. in economics from Purdue University.

Paul Henze has been a resident consultant at RAND's Washington office since 1982, working on projects related to Turkey, Russia, the Caucasus, and Central Asia. A graduate of the Harvard Soviet Program in 1950, he had a 30-year career in government and government-related organizations. He served in the US Embassy in Ankara during 1974-77. From 1977 to 1980 he served with Zbigniew Brzezinski on the National Security Council, where he chaired the Nationalities Working Group, a high-level task force that focused on non-Russian regions of the USSR. He was a Wilson fellow at the Smithsonian from 1981 to 1982. In recent years he has made frequent visits to the Caucasus and Central Asia.

Stephen Jones is associate professor of Russian and Eurasian studies at Mount Holyoke College. He is an expert on Georgian issues, having traveled to the country on numerous occasions and written extensively on its history and on modern issues. He holds a B.A. in comparative government from the University of Essex as well as an M.S. in Soviet politics and a Ph.D. from the London School of Economics.

Roger Kangas is a consultant specializing in regional security and economic cooperation in Central Asia. Until recently he was deputy director of the Central Asia Institute at Johns Hopkins University. He has been a research analyst on Central Asian affairs for the Open Media Research Institute and has taught political science at the University of Mississippi. Kangas is a graduate of the Georgetown University School of Foreign Service and has a Ph.D. in political science from Indiana University.

Geoffrey Kemp is director of regional strategic programs at the Nixon Center for Peace and Freedom. His current areas of interest focus on the geopolitics of energy in the Caspian Basin and Persian Gulf and US relations in the Middle East, particularly with Iran. He was formerly director of the Middle East Arms Control Project at the Carnegie Endowment for International Peace, was Special Assistant to the President for National Security Affairs under Reagan, and served on the National Security Council staff and in the

DoD. Kemp holds a B.A. and an M.A. from the University of Oxford and a Ph.D. in political science from MIT.

Nancy Lubin is president of JNA Associates, Inc., a research and consulting firm focusing on assessments and projects in the NIS, especially Central Asia. She is also director of the Council on Foreign Relations' Project on the Ferghana Valley. She has taught at Carnegie-Mellon University, been a fellow at the US Institute of Peace and the Woodrow Wilson Center for International Scholars, and a project director at the Congressional Office of Technology Assessment. She holds a B.A. from Harvard University, has studied at the Universities of Moscow and Leningrad, and has a Ph.D. from the University of Oxford. She also has conducted doctoral research at Tashkent State University.

Paul Marer, an expert on transition economies, is professor of international business at Indiana University's Kelley School of Business. Marer has received numerous distinctions including serving as a member of the board of trustees to the National Council for Soviet and East European Research and as a member of the executive committee for the Association for Comparative Economic Studies. He has received several honors from the University of Indiana. Marer has written extensively on transition economies. He holds an undergraduate degree from Florida Southern College and a doctorate in economics from the University of Pennsylvania.

Daniel Matuszewski has been president of the International Research and Exchanges Board since 1992, where he has been responsible for the development of a combination of field research and professional training programs in Central and Eastern Europe, Russia, Eurasia, Mongolia, and China. From 1989 to 1992 he was executive director of the International Foundation for the Survival and Development of Humanity in Moscow. He is the author of several studies on Soviet nationality issues and international relations. Matuszewski has a Ph.D. in Russian and Turkic history from the University of Washington and was a Fulbright scholar in Russia and Turkey.

Rajan Menon is the Monroe Rathbone Professor of International Relations at Lehigh University and is an adjunct professor at the Harriman Institute, Columbia University. He is on the executive committee of Columbia University's Caspian project. Menon has written extensively on the former Soviet Union and is awaiting a book to be published next year entitled *Improving the Neo-Realist Paradigm: The Case of Conflict and Conflict Resolution in Central Asia*. Menon holds an M.A. in international relations from Lehigh University and a Ph.D. in political science from the University of Illinois.

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Richard Morningstar is the Special Adviser to the President and Secretary of State for Caspian Basin Energy Diplomacy, responsible for coordinating executive branch policy and programs relating to oil and gas development. Previously, he was Special Adviser on Assistance to the Newly Independent States of the former Soviet Union. He has served as Senior Vice President for Policy and Investment Development at the Overseas Private Investment Corporation and chairman of Costar Corporation. Morningstar is a graduate of Harvard University and holds a law degree from Stanford University Law School.

Ross Munro is a freelance writer and journalist specializing in US-Asia relations. He was director of the Asia program at the Foreign Policy Research Institute from 1990 to 1997. Previously, he was *TIME* magazine's bureau chief in Hong Kong, Bangkok, and New Delhi. He has reported on a variety of issues in Asia and the Pacific, focusing on US foreign policy, particularly toward China, in recent years and has recently coauthored *The Coming Conflict With China*.

James Norausky, vice president of supply and transportation for Amoco Eurasia Petroleum Company, is responsible for planning and securing commercial transportation for Amoco's current and proposed oil and gas projects in Azerbaijan, Kazakhstan, and Russia. Norausky has been with Amoco for 33 years. He holds an undergraduate degree in civil engineering from the University of Missouri-Rolla and an M.A. in business administration from the Illinois Institute of Technology.

Barry Naughton is an associate professor and former associate dean at the Graduate School of International Relations and Pacific Studies at the University of California at San Diego. His primary focus is economic reform in China, on which he has recently co-edited *Reform of China's State-Owned Enterprises*. He has served as a consultant and researcher with the World Bank and is a reviewer for numerous professional journals. Naughton holds a B.A. in Chinese language and literature from the University of Washington in Seattle, an M.A. in international relations from Yale University, and a Ph.D. in economics.

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Michael Ochs is a professional staff adviser to the US Commission on Security and Cooperation in Europe (CSCE). His primary work is on political development and nationality issues in the former Soviet Union. He originated and developed the CSCE election monitoring project and represented the OSCE's Office of Democratic Institutions and Human Rights in a joint operation with the UN to monitor the 1995 parliamentary elections in Azerbaijan. Ochs holds a B.A. in modern European history from City College of New York and an M.A. and a Ph.D. in Russian history from Harvard University.

Rozanne Ridgway is the chair of the Baltic-American Enterprise Fund. A career foreign service officer, she has served in a variety of posts in the State Department, including Ambassador to the German Democratic Republic, Ambassador to Finland, and Assistant Secretary of State for European and Canadian Affairs. She is a past president of the Atlantic Council of the United States. She has received numerous federal and State Department awards and serves on several corporate boards. Ridgway holds a B.A. from Hamline University.

Gil Rozman is the Musgrave Professor of Sociology at Princeton University and serves on the university's program committees on East Asian studies and Russian studies. Rozman has a B.A. in Chinese and Russian studies from Carleton College and a Ph.D. in sociology from Princeton. He has attended Princeton's Critical Language Program in Chinese and Russian Studies, as well as other intensive language programs in Chinese, Russian, and Japanese. Rozman specializes in comparative studies of East Asian states.

Matthew Sagers is director of the Energy Services at PlanEcon, Inc., a consulting firm specializing in the economies of the former Soviet Union and Eastern Europe. As head of the Energy Service, he is the editor of *PlanEcon Energy Report*, as well as PlanEcon's *Energy Outlook*. Sagers has led several major studies including on the electric power industry in the region, refined petroleum product consumption, and the status of foreign investment in the upstream oil sector and the natural gas sector. This effort

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Elizabeth Sollie is a strategic analyst for Texaco Incorporated. Sollie analyzes political developments in the Caspian and surrounding regions and communicates implications for the oil and gas industry to Texaco's Executive Council and Caspian Group. She is a member of Texaco's Caspian Strategy Team. Before receiving this position, Sollie was an associate at LPI Consulting where she spent two months in the Kazakhstani office tracking political and economic conditions of the various oil-producing countries in the former Soviet Union. Sollie spent two years in Kazakhstan as a member of the US Peace Corps. She holds an undergraduate degree from Claremont McKenna College and an M.A. from The George Washington University.

Frederick Starr, chairman of the Central Asia Institute at the Paul H. Nitze School of Advanced International Studies, Johns Hopkins University, is a leading authority on Russian and Central Asian affairs. His recent publications are *Making Eurasia Stable*, *The Role of Uzbekistan in Central Asian Security*, *Being Rich Will Not Be Enough*, and *Power Failure: American Policy in the Caspian*. He is currently planning to open a new university in Tajikistan. He was founding director of the Kennan Institute for Advanced Russian Studies at the Woodrow Wilson Center in Washington and president of Oberlin College and the Aspen Institute. He is the recipient of four honorary degrees and a fellow of the American Academy of Arts and Sciences. He was educated at Yale, Cambridge, and Princeton Universities.

M. Nazif Shahrani is professor of anthropology at Indiana University. He also has taught at UCLA. Most recently, he completed a fellowship at the Woodrow Wilson Center and did field work in Uzbekistan, Pakistan, Afghanistan, and eastern Turkey. Shahrani has written extensively on Central Asia. He holds a B.A. in anthropology from the University of Hawaii as well as an M.A. and a Ph.D. from the University of Washington, Seattle.

John Tedstrom is associate director of the Center for International Security and Defense Policy at RAND Corporation. He is a founder of RAND's publication series in international security economics. He has served as the senior economist in the International Policy Department at RAND and as a senior research analyst for Radio Free Europe/Radio Liberty. He has written extensively on economic issues for the new states in the post-Soviet period.

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Enders Wimbush is assistant director of the Strategic Assessment Center at SAIC, where he supervises research on the changing strategic dynamics of Eurasia. He currently serves as president of the America-Georgia Business Development Council, which he founded at the request of President Eduard Shevardnadze. Wimbush has been director of Radio Liberty in Munich, Germany, and of the Society for Central Asian Studies, which he founded. He has written numerous books and articles on the Caspian region and has directed several strategic assessments of the new Eurasian environment for the US Government and private clients. He holds a B.A. in history and politics from the University of Massachusetts and an M.A. in international relations from the University of Chicago, where he also conducted Ph.D. work.

